THE BUSINESS WEEK

A Journal of Business News and Interpretation

DEC 31 1929

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International Card Recorder

International Time Stamp

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International Job-Time Recorder

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The International Self-Regulating Electric Time System adequately meets these stern demands. Its Master Clock transmits its own correct time unerringly to each unit. Our Self-Regulating feature, which is exclusively International, automatically supervises the entire system and constantly keeps every unit uniform.

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THE BUSINESS WEEK

WITH WHICH IS COMBINED THE MAGAZINE OF BUSINESS

A JOURNAL OF BUSINESS NEWS AND INTERPRETATION

FOR THE WEEK ENDING DECEMBER 28, 1929

HIGHLIGHTS OF THE BUSINESS WEEK

¶EIGHT long years after Congress directed the Interstate Commerce Commission to prepare a plan for consolidating the railroads of the country, the plan is dutifully, if not promptly brought forth. What does it all mean?

There are many interesting features, many important implications, but the boiled-down answer to the question probably is "nothing much."

¶MOST of the objection to branch banking has come from rural sections. Comptroller Pole shrewdly bases his argument that branch banking is necessary on its advantages to the small town. He presents some shocking figures about country banks.

¶STEEL and concrete go together in industry's thought about construction. Steel and concrete come closer together with U. S. Steel's purchase of Atlas Portland Cement. Steel's sudden move is for an extraordinary reason; it has been called "a move to straighten out a badly disorganized industry."

¶1930 is a book just opened. Every business man would like to read ahead in it, especially to look into the back pages. Guessing is no good, unless the guesser remembers that 1930 is just a continuation of what has been written in earlier volumes of the set and unless he knows thoroughly what was in—and between—the lines of those earlier volumes. This week's forecast of 1930 is based on that kind of reading—to tell where we are obviously headed, not what we are optimistically promised.

¶SOME business men—more than ever before—say that seasonal layoffs and wage cuts belong to an outworn business philosophy. Even some of those who do resort to that "ever-present help in time of trouble" pass the burden of labor liquidation on to the insurance companies, or have found other means of protecting the employees they have to throw out of work.

¶THE BUSINESS WEEK believes that few things can be more helpful just now than an honest, realistic survey of our essential industries. The surveys should face frankly what is wrong with each, should take accurate stock of present conditions and immediate prospects and, finally, ought to indicate what the great opportunities are upon which leaders should concentrate their efforts in 1930. So far, automobiles, textiles, railroads and machinery have thus been scrutinized. This week, "Banking in 1930."

D.L.E.

Business Outlook—Cloudy, Continued Cool

AT the turn of a year like this slight signs of the direction of the business movement from week to week become significant. If they show the patient is not getting worse, they give some ground for believing he is getting better.

There are several such in the latest indicators covering the second and third weeks of December. Steel production is holding a fairly constant level at a time when sharp curtailment is usual. Carloadings of non-bulk goods are not dropping farther below last year's figures than they did during the latter part of November. General trade, as measured by check payments in cities where the slackness of stock trading at this time would not affect the figures, made a good comeback in the pre-holiday week and was practically at last year's level.

All these things suggest that the holiday stimulus to trade was fairly normal and that the general expectation of returning business confidence and of impending revival of industrial activity early in the year is being justified.

Consolidation Plan Consolidates Nothing

THE much-heralded consolidation plan of the Interstate Commerce Commission, with its revolutionary alignments, its shuffling of lines, and its Wabash phantasy, has created a furore of discussion and conjecture. Everybody is asking, "What does it mean? Is railway consolidation any nearer, or will the commission's new plan cloud the issues still further?"

The present consolidation plan differs widely from the Ripley Plan of 1921, but does show that the commission has learned from the hectic merger discussions of the past eight years.

The proposed division of the railroads' net-work into twenty-one systems is simply directory, a "procedural step," intended only as a guide. The attitude of the carriers, yet to be learned through hearings, is after all the vital point. This will determine the strength or weakness of the commission's plan, unless or until Congress provides power for compelling the railroads to accept this plan.

Difficulties galore stand in the way of any immediate settlement of the consolidation muddle.

(1) The commission's proposal to take some lines from one carrier and give them to another will unloose Pandora's box of troubles. Allegheny and Pennroad Corporations both own stocks of smaller roads shuffled around by the I. C. C. It is not likely they will give them up without a battle. Long-drawn out litigation under the Clayton Act will have to ensue before anything can be accomplished. And so far, the commission can only shake its finger at these holding companies, which continue to defy the commission by purchasing properties right and left.

(2) The proposal to unify all terminal lines will meet with strenuous opposition.

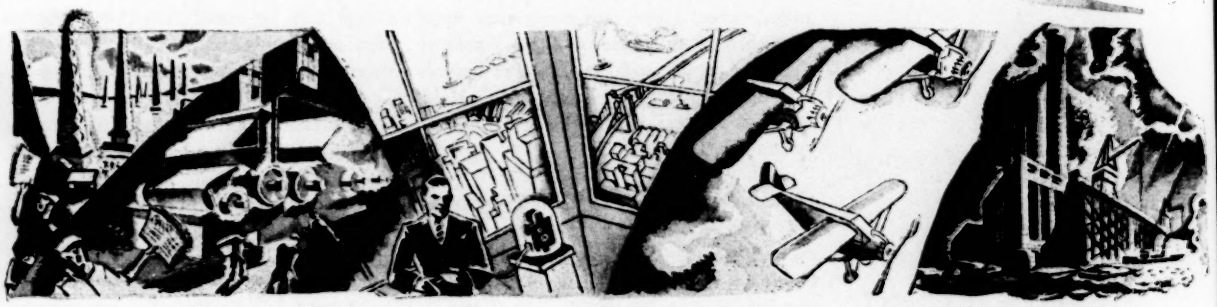
(3) The "paper-made" systems sprawl all over trunk-line territory regardless of different rate schedules.

(4) The helter-skelter, ramble-scramble linking of east-west and north-south lines is considered a "crime."

Omaha to Miami By Wabash-Seaboard!

UNDOUBTEDLY, the most startling portion of the plan is the creation of the phantasmagoric Wabash-Seaboard System as the fifth great trunk line, extending from Omaha and Kansas City to Chicago, New York, and Miami. This fifth-system plan is a complete blow to the schemes of the B. & O. and the Van Sweringens.

Ever since the passage of the provision in the Transportation Act of 1920, directing the commission to prepare and adopt a consolidation plan, the B. & O. and the Van Sweringens, with New York Central looking on, have clamored for a



four-party system. The Pennsylvania has opposed. Wabash was to have been grouped with the B. & O., but now it is made the nucleus of a system which absorbs a number of much-coveted, strategic lines: the Wheeling & Lake Erie, the Western Maryland, the Pittsburgh & West Virginia, the Norfolk, and Seaboard Air Line.

Early this year, the B. & O. and the Van Sweringens submitted their four-party plans to the I. C. C.; last summer came the Wabash with its five-party system. A short while ago, Mr. Loree bobbed up with his five-party plan, upsetting the whole picture. Pennsy has repeatedly denied any participation in Wabash schemes, yet it now looks as if the rivalry between Pennsy and the B. & O.-Van Sweringen groups will be keener than ever.

East-West Joined to North-South Lines

SOME of the most sweeping changes and realignments have been made in the linking of east-west with north-south lines. Atlantic Coast Line entering the mid-western area through combination with L. & N., gets direct access to New Orleans; Rock Island, through combination with the Frisco, and by reason of its acquisition of the Louisiana Railway & Navigation Company, likewise reaches New Orleans.

The proposed carving out of the Mobile & Ohio from the Southern System, transferring it to Chicago & Northwestern, is one of the most important major operations undertaken. To replace this large piece of Southern's flesh, the I. C. C. doctors would graft onto Southern the Florida East Coast Railroad, now independent.

A logical combination of the Union Pacific with the Norfolk & Western was scrapped, presumably to create more competition for the Illinois Central. The "I. C.," in turn, is to be linked up with the St. Louis Southwestern, and the Minneapolis & St. Louis, running far into the Northwest. In the West, Union Pacific, Southern Pacific, and Santa Fe were left without serious change.

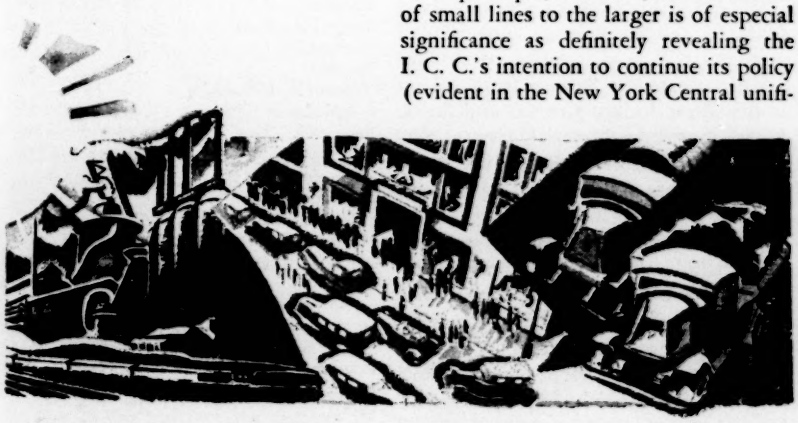
Disregarding the joint application of Great Northern and Northern Pacific for control of the Burlington, the I. C. C. has made it the nucleus of another large system, merging it with the Katy. Great Northern and Northern Pacific are to be combined in one system, minus the much coveted Burlington.

Short Lines and Terminals Included

TWO of the most important aspects of the consolidation plan, aside from the creation of twenty-one large systems, are the definite assignment of short lines (omitted under the 1921 tentative plan), and the proposal for the unification of terminal properties. All short line roads are definitely assigned to the respective system groupings. Some of these assignments may prove profitable, but for the most part, many poverty-stricken roads have been stuck on to the stronger carriers. This is true not only of the Southern Pacific groupings, but Wabash itself, not heretofore too prosperous, is to absorb more than $400,000,000 of additional properties. Even the Lehigh Valley and the Norfolk & Western are insufficient to support the "weak sisters" in the Wabash line-up.

In principle, however, the allocation of small lines to the larger is of especial significance as definitely revealing the I. C. C.'s intention to continue its policy (evident in the New York Central unification plan) of requiring the inclusion of short lines.

The provision for unification of terminal properties, given such wide discussion in the consolidation report, is a vital part of the I. C. C.'s whole scheme for railway consolidation. Consolidation of existing carriers is to be accompanied by the unification of all terminal lines in the respective terminals. The I. C. C. believes that all terminal properties should be thrown open to all users on fair and equal terms.



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Germany Settles Financial Crisis

GERMANY seems back to normal financially after a crisis, both political and financial, of serious proportions. Tangible results:—Dr. Hjalmar Schacht, President of the Reichsbank, emerges virtually financial dictator. The government raises taxes, promises greater economy and postpones indefinitely consideration of income tax reduction. Further foreign borrowing by Germany is at least temporarily averted. Dr. Rudolph Hilferding loses his post

as Minister of Finance and is succeeded by Prof. Paul Moldenhauer, also Minister of Economics. The second Hague conference to meet January 3 will be the scene of a bitter battle on the part of the Germans against alleged "encroachments" by the allies against the "letter and spirit" of the Young plan as drawn up at the first Hague conference.

Events in the German crisis, which was both financial and political, have come fast and furious the past week. Following the publication of the Young plan, a minority in Germany, led by Dr. Alfred Hugenberg, organized to fight its adoption, terming themselves the "Lib-

erty party." They were successful in bringing about a national referendum.

At about the same time, Dr. Schacht made public a memorandum sharply criticising the Allied powers and the German government financial procedure. He alleged that Germany was being loaded with burdens which were not in accord with the Young plan agreement, and which the nation could not bear; berated the government for delay in bringing about financial reforms.

This attack aroused the cabinet to action, and a program for financial reform was brought out within a few days. It provided for reduction in income taxes, a cut in the property tax, abolition of the stock turnover tax and withdrawal of industrial debentures issued under the Dawes plan. Reductions were to be compensated by increases in luxury taxes, especially on tobacco and beer.

Chancellor Mueller, in presenting the program to the Reichstag, revealed the fact that the government would end the year with a deficit of nearly 1,700,000,000 marks. He explained this as an accumulation of deficits over several years, plus the extraordinary budget demand of 800,000,000 marks this year. All but 330,000,000 marks of the deficit had been taken care of, said Mueller, by Treasury borrowing and advances from the communications ministry. A foreign loan to cover this amount was hinted, this to be negotiated with a consortium of American and German bankers.

Dr. Schacht, from the committee on foreign loans of the finance ministry, promptly and emphatically refused permission for the foreign loan. Hilferding's proposals found few other supporters, and despite the Socialist party's attempts to rescue him, his position became untenable. In fact, the position of the whole cabinet was weakened and Mueller was forced to demand a vote of confidence on the financial program. He got it with difficulty and by only 66 votes, although even this measure hardly remedied the situation.

Dr. Hilferding's resignation under considerable pressure and the appointment of Prof. Paul Moldenhauer to his post averted the fall of the cabinet.

Dr. Schacht, in the meantime, arranged to have the government borrow sufficient for its needs from a German consortium of several large banks and the Reichsbank, the latter taking the greater part of the loan. The Reichstag, on Schacht's demand, passed several emergency financial measures to facilitate the loan. Among these were the establishment of an amortization fund of 350,000,000 marks, to be applied during the next year to reduction of the huge floating debt, and the raising of the taxes on beer and tobacco. Tax reduction was indefinitely postponed. The government further agreed to practice even greater economy. The Reichstag then adjourned until January 21.

Last Sunday Hugenberg's group was overwhelmingly defeated in its agitation against the Young plan. Schacht, a few weeks ago severely criticised, is now widely praised.

Aviation ► **When to Use Foreign Air Mail**

THE Postmaster General's revised slogan: "Use the air mail only when necessary," has brought some interesting questions from business men. Not the least of these: What foreign air mail services (other than lines flying into Mexico and Canada) can American business use to advantage?

A careful stock-taking simmers them down to relatively few. Time-minded exporters will give attention to two international routes: Service from Miami to the West Indies, Central and South America; and the Imperial Airways Service from London to India, via Paris, Genoa, Athens, Alexandria, Bagdad, and Karachi.

On the Latin American services rates include dispatch by domestic air routes to the base of the international line. On the India route, dispatch is by ordinary post to London or Paris, where letters marked *Par Avion de Londres* (or *de Paris*) are picked up by Imperial Airways planes each Saturday.

To be inaugurated March 1 is the weekly service—passenger, mail, freight—of the New York, Rio and Buenos Aires (Nyrba) lines from Miami. Mail planes flying day and night will cover the distance between Miami and Buenos Aires in four days. Already in service are two South American branches—Buenos Aires-Bahia Blanca and Buenos Aires-La Paz—which will speed United States mails when the main route begins to operate.

There is also a French service, weekly on Sunday, from Paris to the West Coast of Africa on which the postal rate is 29 cents an ounce, and which gains as much as eight days over ordinary routes to points south and east of Leopoldville.

Air mail services in Australia, in Central China, and in Japan through to Dairen in South Manchuria, cannot often be used to advantage from this country because of steamer schedules. Again, there is little advantage when delivery is within Europe with its well-regulated railroad mail service. American letters cannot always reach the airline base in time to benefit from airmail delivery.

Dutch experimental service to the East Indies will save as much as two weeks on letter delivery to the Far East but as yet is only in an experimental stage, and has been abandoned entirely until next year. Regular mail service is not likely to be established before 1931.

Postage varies to countries along the routes, but can be summarized at half-ounce rates:

Pan American Airways from Miami	*Total U. S. Postage per ½ Ounce*	*Approximate Days Saved from N. Y.*
Cuba	$ .05	3
Haiti	.10	4
Dominican Republic	.10	4
Porto Rico	.10	4
Trinidad	.25	5-6
Central American countries	.25	3-4
Panama	.25	3-4
Venezuela, Colombia, Ecuador	.40	2-5
Peru	.55	4
Chile	.70	4
Argentina, Uruguay	.75	8
Bolivia (ordinary means from Mollendo, Peru)	.55	7
Paraguay (ordinary means from Buenos Aires)	.50	8
Imperial Airways from London or Paris		
Egypt	$ .10	2-4
Palestine	.10	3-5
Iraq	.14	4
Persia	.17	5-9
India	.17	5-9

"Branch Banks to Help the Farmer"

BRANCH banking is necessary in the United States, John W. Pole, Comptroller of Currency, has told Congress. National banks should have the privilege of establishing branches within trade areas, most of which correspond to Federal Reserve districts. The greater strength of larger systems, necessity for protection of the rural regions, need for restoration of the national banking system are given as urgent reasons.

Mr. Pole goes much farther than Secretary Mellon, who warned against "hasty" banking legislation, or President Hoover, who admitted that the banking problem should be considered. Since the Comptroller and Mr. Mellon are in agreement, however, the Secretary has simply left it to the Comptroller to do the recommending.

Mr. Pole shrewdly uses as his chief argument the need to protect rural regions from a continuation of a series of bank failures. That strikes at the very root of objections to branch banking, which come largely from rural regions.

Group and chain banking probably will disappear with branch banking; nevertheless, the federal government should exercise regulation over the movement, Mr. Pole says. Almost 20% of all banking assets are controlled by chains or groups.

He believes that branch and unit banking can exist side by side indefinitely. Mr. Pole cites the failure of 5,000 country banks with $1,500,000,000 deposits in 9 years. In 11 months of 1929, failures numbered 521 with $200,000,000 of deposits. No important city banks have failed during this time. Decrease of 201 banks, or 2.67%, with a drop in assets of 3.58% shows the weakening of the national banking system.

"Banking," he says, "is following the trend of business in general toward larger operating units with stronger capital funds and more experienced and highly trained management. The natural result has been that the larger cities are being favored with banking organization of great financial stability, with capacity to render a better and more diversified type of service.

"In principal cities, therefore, in various parts of the country, there have grown up, through mergers and through increases in the variety and volume of the business, banking institutions which for strength and capital and management technique were unknown in the pre-war period. There have been no failures of any of these types of metropolitan banks. These banks comprise both unit and branch banking systems.

"The obligation and responsibility is upon the government of the United States, at least so far as the national banks are concerned, to set up a system of national banking which will insure the rural communities against the continuing effects of local bank failures."

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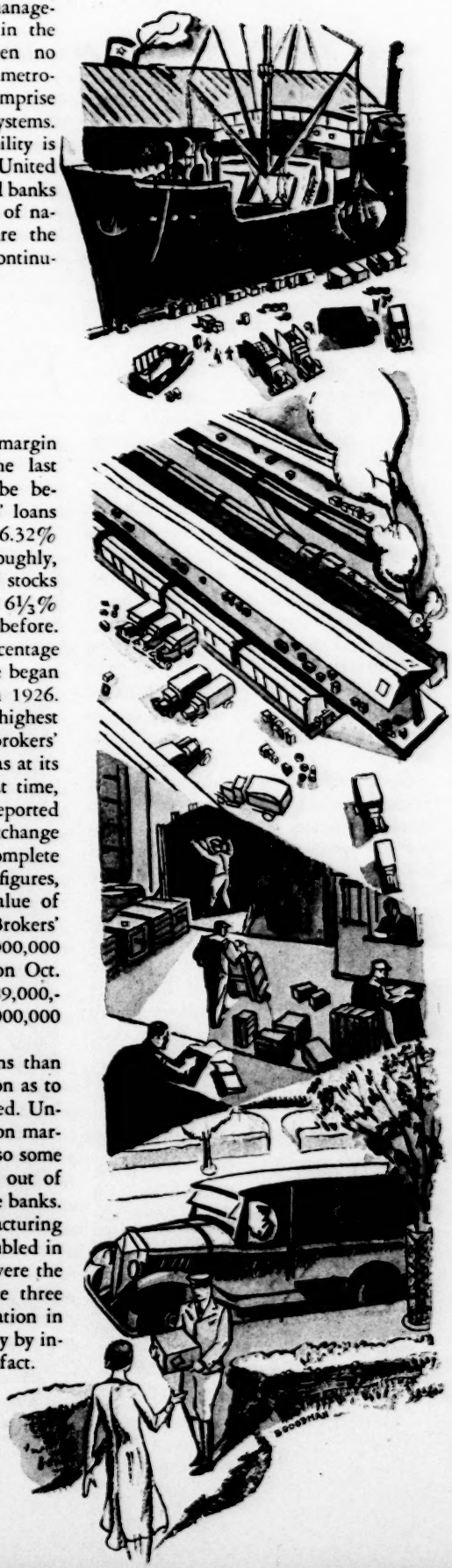
Stocks On Margin At Lowest Level

DECREASE of stocks held on margin has been spectacular in the last three months if statistics may be believed. The ratio of total brokers' loans to total stock values Dec. 1 was 6.32% compared with 9.82% Oct. 1. Roughly, this indicates that the amount of stocks held on margin is now only about 6⅓% against almost 10% two months before. This is by far the lowest percentage reached since the Stock Exchange began to compile these figures early in 1926.

While this ratio was at its highest point on Oct. 1, and so were brokers' loans, the total value of stocks was at its high point on Sept. 1. Since that time, the total of brokers' loans as reported monthly by New York Stock Exchange members, which is far more complete than the weekly Federal Reserve figures, has dropped 53%. The total value of listed stocks has dropped 29%. Brokers' loans thus reported were $4,017,000,000 Dec. 1 against $8,549,000,000 on Oct. 1. The value of stocks was $63,589,000,000 Dec. 1 against $89,668,000,000 Sept. 1.

The much greater fall in loans than in stock values suggests a question as to how far the figures may be trusted. Undoubtedly fewer stocks are held on margin than before the panic. But also some margin loans have been pushed out of the brokerage houses and into the banks.

Stocks of companies manufacturing leather and shoes more than doubled in price during the period. These were the only stocks which rose over the three months. A vastly improved situation in the industry, and a keen selectivity by investors accounts for this unusual fact.



Cement ► U. S. Steel Buys Atlas To Stabilize an Industry

UNITED STATES STEEL overnight made an altogether unforeseen move when it bought the Atlas Portland Cement Company, and, as in the case of Columbia Steel, bought it not for cash but for shares of the United States Steel Corporation.

Justly is this acquisition regarded as the most sensational development in the civil engineering industries for a long time. Through it the Steel Corporation secures about 18% of the cement production of the country and acquires perhaps enough moral prestige in cement to straighten out a badly disorganized and not very profitable industry. Its own Universal Cement had never paid very well because of the cut-throat methods which prevailed in the industry. Confidently is it expected that the new tariff will give the product some protection, although this is not really a cardinal consideration in view of the small recent imports, not exceeding 5%.

The real significance of the purchase is rather in the lining up of the great company, with its powerful banking affiliations, on the side of order against chaos in an indispensable national industry.

Such assertiveness on the part of the post-Gary management has not failed to stimulate rumors of another and an important split-up in Steel Corporation shares. The advantages of a share price more within reach of the smaller public are patent. The accompanying advantages for purposes of acquisition of other companies are just as obvious. Despite the momentary dullness of the times steel news is now being followed with a more lively interest than at any time within recent years.

Construction ► Ready to Mix or Ready to Lose?

READY-MIX cement is the latest trouble-maker in the much-troubled builders' supply industry. Having the complete ready-to-pour mixture delivered right on the construction or repair job—almost from truck into forms with one operation—saves time, special labor, often the getting of special permits.

Distributors have been slow to invest in ready-mix equipment with the result that, in many cities, separate supply concerns have sprung up. These buy their cement direct from its manufacturer.

Distributors have lost sales volume, must be content to lose more, or get on the band wagon with a ready-mix plant.

Steel ► Buyer and Seller May Merge

FOLLOWING the Republic Steel merger, engineered by C. S. Eaton of Cleveland, it is reported that Youngstown Sheet & Tube, in which Eaton interests have substantial holdings, are negotiating to take over Acme Steel of Chicago which celebrates its 50th birthday in January.

James E. MacMurray, builder of Acme, for 40 years chairman of its board, tells THE BUSINESS WEEK that further combination of independents looks logical to him. Youngstown Sheet & Tube wholesales steel, Acme retails in finished form to industry. The former is a large producer of slabs and billets at its plant just south of Chicago. Acme is the largest buyer of slabs and billets in the area, purchases running well above $10,000,000 annually.

If Youngstown Sheet & Tube, Acme, and perhaps Inland Steel of Chicago, are ever linked up with Republic Iron & Steel, Central Alloy, Donner and smaller Eaton companies, the result would be a formidable sales-making organization. To buck big-scale competition, an independent steel company must, as a rule, have some specialty or specialties which it develops and pushes hard. A large-scale combination of such successful specialties means great selling power.

The Eaton merger already holds numerous important patents on special types of steel and steel products for which demand is developing in a large way. Central Alloy controls, by patent license, "Nirosta," the stainless, heat-resistant, chrome-nickel steel, developed by Krupp scientists. Republic has the new Johnson pipe-welding process. Donner has the Witherow patents for die-rolling.

P. & A. Photo

NO PLACE FOR GANGSTERS

Armed guards loading cash and securities for transportation to the new home of the Foreman-State National Bank, Chicago. The treasure was hauled two blocks through the Loop district, protected by 275 men armed with machine guns, rifles, pistols and tear gas bombs

Automotive ► The Show Features: More Cylinders, Higher Prices

EIGHT-CYLINDER engines and increased prices will feature the Automobile Show in New York next week. Some half-dozen makers of six-cylinder cars will introduce eights; other makers are increasing the number of eight-cylinder models; a sixteen-cylinder car will be shown; possibly one or two new front-wheel drives.

Eight-cylinder cars are now making a dent in the popular field. Heretofore, their sales have hardly justified the number of models. With a few exceptions, large producers have stuck to sixes. During 1930, eights may be predominant in sales of cars over $1,000 and several new eights are to be priced below $1,000.

Price increases have already been announced by Buick, Marquette, Cadillac, La Salle, Viking, Studebaker, Nash. Chrysler and Graham-Paige have scheduled higher prices for January 1. Others are expected to follow by show time or soon after. Only Ford has promised not to increase the price of the new model.

Higher prices are needed to insure profits. The industry is reconciled to a much lower production in 1930—possibly not more than 4,500,000 cars. Dealers may benefit from the increases. They should, as they must bear the brunt of the 1930 conflict. Ford promises an output of 2,500,000 cars and trucks. If he does it, all other makers must suffer a sales loss of about 1,500,000 from their 1929 record. The struggle to make the other fellow absorb this loss promises an unusually hot time in a field where merchandizing temperatures are always at fever heat.

Underwood and Underwood

ESCAPES BLIZZARD

Martin J. Insull, Chicago, canters in Mississippi sunshine what time he is not attending the convention of the Middle West Utilities system, of which he is president, at Biloxi

Retailing ► First Billion Gross; Net—?

ADD to 1929 records that of the first retail distributor ever to reach an annual gross sales total of $1,000,000,000—if advance reports on A. & P. prospects are correct. And if they are, economists will be busy in 1930 trying to ascertain whether retailing history's largest gross also means its largest net, and how much of the record has been achieved by goods sold at non-profit prices.

Radio ► Why Do You Want THAT Radio Set?

TONE quality is the chief factor in the buyer's choice of a radio set this year, say radio retailers. Price comes next, and then selectivity, then appearance. Manufacturer's reputation gets only fifth place. Simplicity of control, distance-getting, volume, have almost disappeared as factors. In 1925, distance-getting was first, followed by tone volume, price, tone quality. A retailer's analysis also reveals that radio today is furniture.

Underwood and Underwood

FRANK McMANAMY

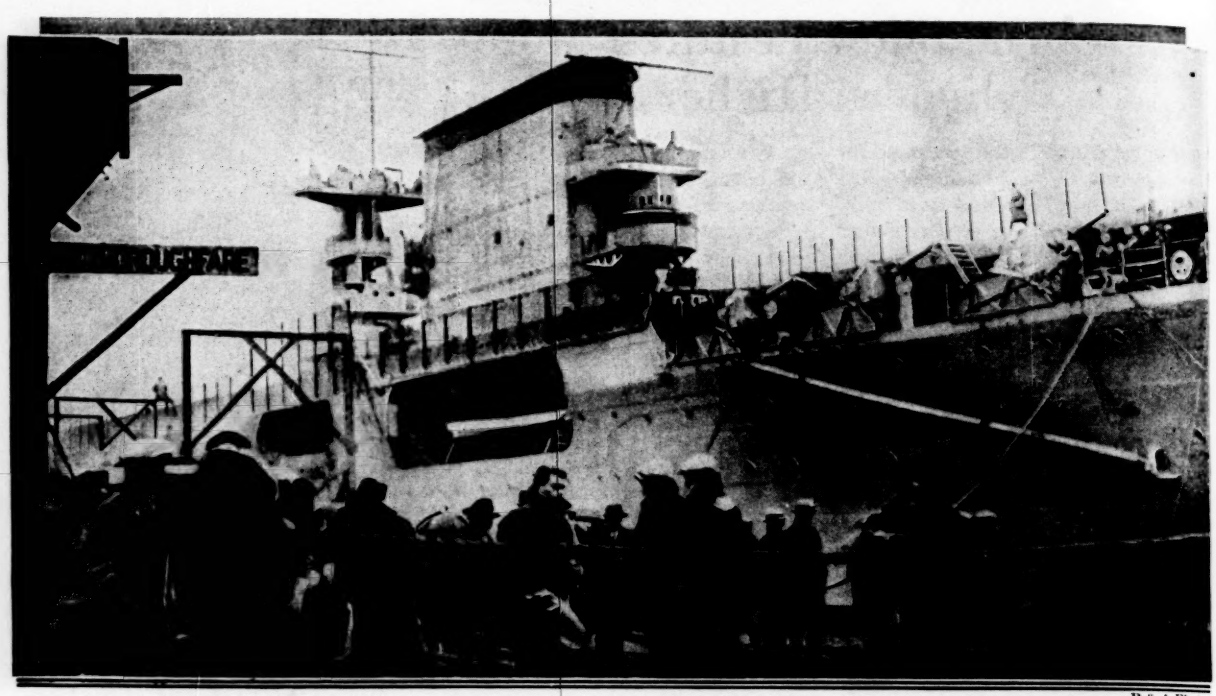
Newly elected chairman of the Interstate Commerce Commission, who will succeed E. I. Lewis on January 1

Insurance ► Seeks New "Risks" In Foreign Field

THE Department of Commerce has recommended the foreign field as the scene of future development of American insurance companies. Legal restrictions form the chief barrier to success.

Development abroad will involve a program of education and will probably be slow. Possibilities are as yet undetermined, but appear promising. A start has already been made by Globe Underwriters' Exchange Company of New York, which has bought the Skandinavien Fire Casualty Company of Stockholm and the three Iduna companies of Germany. Globe will act as a holding company for them, as it does for three concerns in southern United States.

Local management and officers are to be retained in the purchase companies, which will be operated exactly as group holdings are operated in this country. Insurance has thus followed the methods employed by American industries that set up plants abroad so as to evade tariff duties and receive the benefits accorded domestic companies. Only time can tell, however, whether these methods will be better than the direct sale of American insurance in foreign countries.



P & A Photo

THE NAVY TO THE RESCUE!

The giant aircraft carrier Lexington begins feeding electric current to the city of Tacoma, where the publicly owned hydro-electric light and power plant has been hard hit by the drought. The ship will furnish current for thirty days for a $45,000 standby charge and dock fees of $18,000, plus one cent per kilowatt hour. Delivery of 20,000 kilowatt hours is promised

Distribution ► **Merger Must Pay Its Way**

THE trend of electrical merchandising toward smaller sales territories and more intensive cultivation is reflected in Westinghouse Electric & Manufacturing Company's merger of nineteen wholesale supply houses with sixty strategically-located warehouses. They will form one distributing system under the name of Westinghouse Electric Supply Company. Local elements of the merger will continue to handle local business, but the central organization will assist them and handle national accounts in their territory. In 1929 the sales volume of the group was, estimated, $60,000,000.

The new Westinghouse organization is so built that each unit will continue as a unit on the books and will carry no part of the central coordinating and service office. The latter will be supported out of the profits of the sales units. Unless its activities cause profit increases more than sufficient to cover the central office costs, it will not be considered as having justified itself. By this method, Westinghouse hopes to overcome a usual weakness of mergers, an increase of organizational expense. Overhead control is often added rather than substituted, and the cost is lost sight of by being spread over the combined units' results.

The new merger will begin to function on January 1. There will then be four important forces active in the distribution of electrical goods—General Electric Supply Corporation, Graybar Electric Company, Inc., the independent jobbers, and Westinghouse Electric Supply Co.

Utilities ►**Campaign Against Bootleg Wiring**

ELECTRIC utilities are about to launch an advertising campaign to combat "bootleg wiring," a term coined to describe the householder's growing practice of doing his own wiring jobs. The efforts of the "handy man," say the utilities, open up alarming possibilities measurable by the trouble-call records of every large city power company.

The industry is faced with three methods of attack: to ignore the practice altogether and rely on trouble calls and chance inspections to correct the wiring faults they claim are dangerous; to accept and compete with it, selling standard wiring materials over the counter to the man who wants to go adventuring with wires, sockets, switches, fuses and lamps; to advertise the importance of quality wiring materials and "responsible" workmanship. The third method is being adopted by industry leaders and is expected to spread to the smaller companies as well.

Banking ► **Curb Service For Depositors**

MOTORISTS may do their banking without leaving their cars at the new building erected by Grand National Bank in St. Louis. This bank, at Grand boulevard and Olive street, is in a highly congested traffic center. Depositors must often park blocks away, carry their money perilously over crowded sidewalks.

A private drive along one side of the building has opening upon it three "traffic windows" at which tellers will wait on customers.

Glass used is bullet-proof type, one and one-eighth inches thick.

Railroads ► **The Carriers' Cat Comes Back**

PHYSICAL valuation of railroads, which has been dragging along for some 20 years, has again raised its weary head with the announcement that the I. C. C. will reopen the famous O'Fallon decision for further argument on January 23.

The Interstate Commerce Commission had been working on the theory of original investment, plus additions, when the Supreme Court decision in the O'Fallon case directed it to give consideration to present reproduction cost, less depreciation. The battle still rages over these two theories, and now the I. C. C. says it doesn't know how to carry out the mandate of the court.

The B. & O. was the first railroad to protest against the I. C. C.'s method of valuation, which was based on 1918 prices. Northern Pacific, Norfolk and Western followed suit. Rock Island protested even more vehemently because the commission, in its case, went back to 1915 prices.

So much time elapses between the beginning and the end of valuation proceedings that the figures are out-of-date long before they are published. Original investment is obviously an improper basis, because prices and conditions have changed so radically within the past fifteen years. And what direct connection is there between "physical valuation" and the rates charged to shippers?

Before the long process of arriving at final valuation figures is completed, the O'Fallon case may not look like "one of the greatest lawsuits in history," after all. Its dénouement started the cry that rate raises would follow. But while some see an 85% increase in the cost of railroad property, others say that the advance amounts to only half as much, that the famous decision could have but a minor influence on rates.

Communication ► **To Stormproof Southwest Cables**

SEVEN million dollars is being spent by the Southwestern Bell Telephone Co. to put underground its long-distance cables between St. Louis and Kansas City.

When the task is finished some 300 new voice channels will supplement the 80 cross-country talking circuits now available. Underground cables also are being laid into Oklahoma and Texas to connect with the main St. Louis-Kansas line. Vast improvement in speed and certainty of direct communication between St. Louis and the Southwest will result. Calls from five states will come into St. Louis through storm-proof and flood-proof voice subways.

P & A Photo

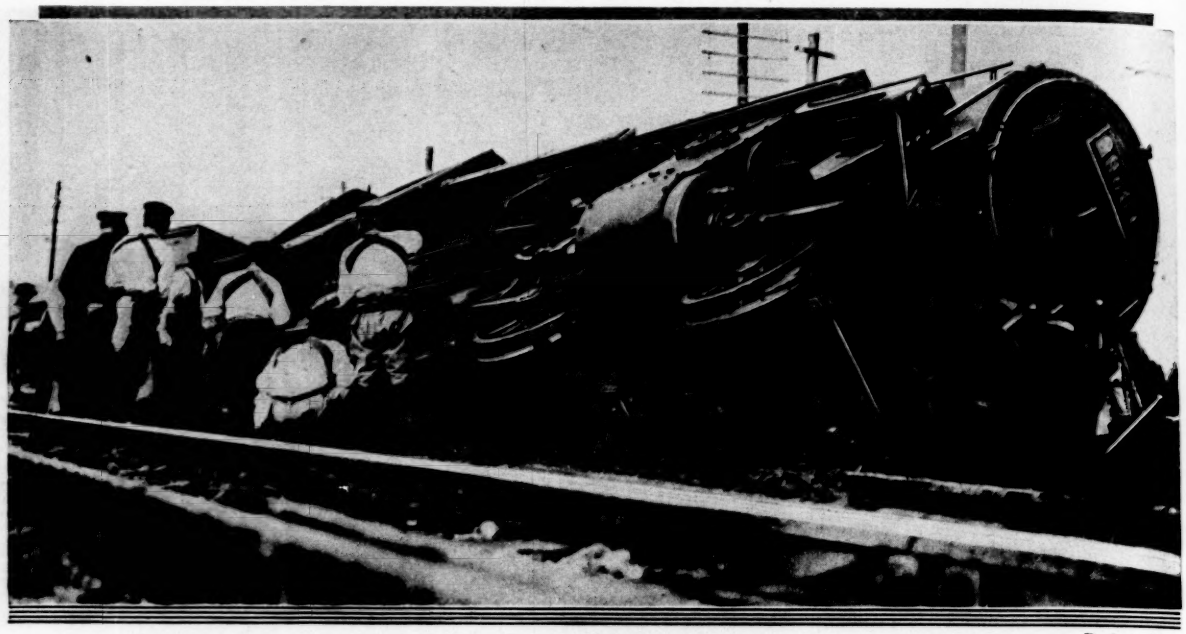
NEITHER A WHALE NOR A SEA SERPENT

It's the liner Fort Victoria, photographed from the air a few days after she had been sunk in a collision with the liner Algonquin, in fog-bound New York harbor. She lies on her starboard side and is a menace to shipping

Industrial ► **Maine Doesn't Go to Extremes**

A RECENT engineering survey of central and southern Maine industries emphasizes freedom from industrial booms and depressions; from labor troubles, due, in part, to the fine quality of labor employed, including an unusually large proportion of women; from extremes in temperature.

Not only has the state a long coastline with deep harbors for shipping but it has good transportation facilities to aid its industrial development. There are 5,000 miles of Federal and state-aid roads, besides those maintained by towns. Canadian railroads with terminals in Maine give rates to Buffalo, Detroit and Chicago that compare favorably with those from Boston and New York.



P. & A. Photo

QUEER TEMBLOR

One of the freakiest earthquakes in the history of Japan caused this wreck. Affecting only a few square miles, it derailed a locomotive and several coaches. No one was injured

Automotive ► Workless Workers Can't Believe in Santa Claus

"OUT of the trenches—and on the streets—by Christmas" has threatened the average automotive worker for years. He likes the high wages he gets—when he gets work; he likes his uniformly good working conditions; but he thinks he could do with a little more continuity of employment; particularly in winter when food and shoes seem so necessary.

In 1928, Detroit employment—based on 1923-1925 averages—dropped from a September index of 135 to 100 at the end of December. During 1929, the decline started in July from an index of 130. At the close of the year it was under 100. In January, employment increases. Workers who survive the idle period get their old jobs back. Merchants in the Detroit neighborhood say this does not make a Merry Christmas.

"Seasonal sales slump" is the factory explanation. Some others claim that uncertainty about new models is as influential as approaching snows. Still others ask, "How about that week or two shutdown for inventory—relic of dark management days?" Much talk but little action has made Detroit the chief stamping ground of those who feed on worker's grievances—real or fancied.

The one favorable change has been a change in the tone of the annual calls for workers as the new season opens. Formerly most plants announced, grandiosely, that operations were to get under way; that 10,000 workers would be hired at once. Trains, buses, flivvers, Endicott & Johnsons, brought 50,000 applicants. Within a week 90% of them were on the town. Factories still brag about opening operations but are careful to mention that old employees and Detroit residents get preference.

The industry would like to flatten out its production curve but, with exceptions, refuses to sacrifice the yearly model custom to attain it. Buyers may some day decide that "new models" often represent changes of little importance. This will settle the question. Till then, most automotive manufacturers will continue to stifle sales on their present model by the assurance it will be superseded soon. Since most model changes occur late in the year, approaching winter may not be entirely to blame for the usual slump which brings no Christmas cheer to automotive workers.

Aviation ► Airway Now as Cheap as Railway

TRAVEL by airplane now becomes as cheap as—in some cases cheaper than—travel by railway Pullman under new rates made effective January 1 by the Southwest Air Fast Express with headquarters in St. Louis.

Announcing the new rate of 5 cents a mile, reduced from 10 cents, Erle Halliburton, president of S. A. F. E., said his company proposes to determine whether air travel is retarded by high cost or "air-fear."

New airline rates from St. Louis compared with Pullman: To Tulsa, Okla., air $19, Pullman $20.24; Oklahoma City, air $24.50, Pullman $25.23; Dallas, Tex., air $36.50, Pullman $32.28. Air time St. Louis to Dallas is 8 hours against 18 on the fastest trains.

S. A. F. E. uses tri-motored Ford planes.

This air line and others operating out of St. Louis, including T. A. T., made special Christmas holiday rates of a fare and one-third for round trip.

Wide World Photo

WOMAN ENGINEER

The only woman delegate to the recent World's Engineering Congress at Tokio—Mrs. Lillian Gilbreth, president of Gilbreth, Inc., of Montclair, N. J., and mother of eleven children

Research ► **Indian Bamboo for Paper Making**

A NEW, self-reproducing, and inexhaustible source of cellulose to replace wood pulp is seen in the vast bamboo forests of India. The world's present consumption of cellulose, from which are made paper, boxes, containers, artificial silk, celluloid, explosives, varnish, photo films, is about 15,000,000 tons per year.

Construction ► **Local Tax Penalties Hamper Building Plans**

MORE than one city official rushing out to the citizenry with President Hoover's call for greater building activity to take up the business slack has stumbled over his first obstacle and found it to be himself and his colleagues, or their predecessors in office—whoever was responsible for local assessments that hamper building at the start. In effect, assessment methods in many American cities offer a tax premium to a man who keeps his property vacant, and penalize him if he improves it. Low assessments on unimproved property thus retard private building, and graft retards public building. And quite often the mucky finger of graft can be discerned in private enterprises also.

How, for example, can Chicago follow its cheer leaders? Vacant property pays only 19.7%, against a mean assessment valuation of 31.3%, assessments on office buildings averaging 53.4%, on industrial buildings 38.1%. Property in the Loop pays double the average, but holdings in Calumet, playground of the politicians, get off with 10% of their value. These figures, of which the first is the most significant since it clearly points to a valid reason for not building, were compiled by Dr. Herbert D. Simpson of the Institute for Research in Land Economics and Public Utilities, in a survey covering 1926. There has been little, if any, change since then. Is it any wonder that a representative of a big real estate firm, with excellent political connections, remarked rather naively, "We don't consider taxes as all in deciding whether to carry vacant property for price increases"?

The assessment practice typified by Chicago is the opposite of single tax, which, by taxing land only, regardless of improvements, at least tends to encourage building, whatever may be the objections to it on other grounds. Pittsburgh is showing the way with an interesting compromise which is said to be working out very satisfactorily. Improvements there are taxed at one-half the rate imposed upon land.

▼

HUMBLED were European air authorities when announcement was made recently that American tourists furnish 75% of the patronage on European airlines; proud they were to find that time-saving service between travel shrines rather than greater air-mindedness among Americans, explained the figures.

P & A Photo

HARDLY A MANTELPIECE ORNAMENT

Ship model collectors would have difficulty in handling this thirty-nine foot model of the liner Columbus. The later broke down on her last voyage to New York, but the model, driven by two five-horsepower gasoline motors and averaging eight knots, worked perfectly on a test cruise in New York harbor

Distribution ► **Tire-Maker Plans Service Chain**

GOODRICH SILVERTOWN, INC., the retail division of B. F. Goodrich Company, will establish a chain of one hundred retail tire and service stations in various cities of the United States. Some will be equipped to provide full service for any type of automobile; others will supply only gas and tires. The first of the chain was opened recently at Columbus, Georgia.

All of the stations will be designed and built by a corps of experts who will give particular attention both to location and architectural effectiveness. Efforts will be exerted to make the station enhance rather than depreciate realty values in its neighborhood. Goodrich Silvertown, Inc., buying for a hundred stations, expect to be able to effect many economies which will be passed on to the consumer.

Distribution ► **Price Raises Lift Sales**

ONE way to start sales going up is to start talk about prices going up. And sometimes the start develops enough momentum to carry the buying rush over into the higher-price period.

For example, Steinway piano prices were boosted in October. Retailers had advance notice and passed it on to live prospects a month earlier. Result: September, 1929, orders were the biggest in the company's history. More interesting: accelerated sales effort got so many prospects on the "live" list that October orders, even at advanced prices, passed September's total.

Mandel's, Chicago department store, advertised on December 3 "popular crepenese frocks at $4 for two days only —Tuesday and Wednesday; on Thursday, any remaining frocks will be marked up to the regular price of $5.75." By Wednesday closing, the frocks were completely sold out—and this was a week in which department store sales fell off on many items.

In contrast, fur stores that cut prices on coats—to raise quick cash, it is said—found sales cut as well.

It does not take a psychologist to answer that price cuts prompt people to wait for further cuts; to conclude that price increases stimulate a sprint to get under the wire before the raise.

Retailing ► **Two Biggest Seek Third Drug Chain**

NEGOTIATIONS for a merger of Louis K. Liggett & Co. and the Owl Drug Company are under way. The Owl chain is said to be the drug trade's third largest in sales volume, fourth largest in number of stores. These extend from Chicago westward, most of them on the Pacific Coast. The headquarters are in San Francisco. Liggett, with Boston headquarters, has the largest retail drug chain. With the 106 Owl stores, Liggett would have 660 outlets.

Both these companies have agency contracts with independent retailers. The 10,000 Rexall stores handle Liggett lines. Between 750 and 1,000 stores have contracts to handle Owl branded products.

Up to seven years ago the Owl company held the Rexall agency for the Pacific Coast. Since that contract was terminated, Liggett has been able to pick up only a relatively few independents in the far west. The merger would give Liggett at once nearly a thousand outlets in the last important region in which it needs adequate representation.

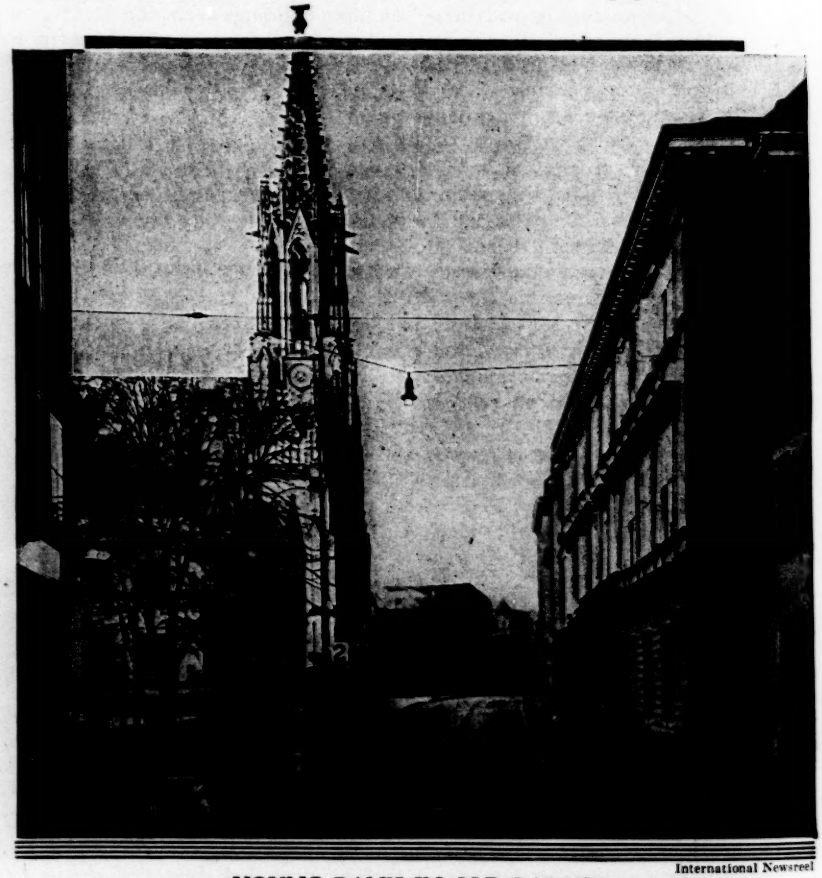
Walgreen, second largest drug store system, active buyer-up of chains is also bidding for Owl.

Machinery ► **Can Watch the Wheels Go Round**

ANIMATION is today's key to successful selling. The movies, and now the talkies, give the idea a tremendous boost.

Stable, practical, the machine industry heretofore has contributed much to, adapted little of, this theory. Introspective at last, manufacturers are going to try noise, motion, animated sales effort.

MacDonald Brothers Engineering Laboratories, to be housed in a $3,000,000 laboratory building in Detroit, will exhibit in permanent display all types of industrial equipment and machinery operating on actual work in true factory conditions. A complete engineering staff will be connected with the Laboratories to demonstrate equipment.



International Newsreel

YOUNG BANK IN OLD PALACE

Unless quibbling nationalists upset present plans, this aristocratic old palace—"House in a Cherry Orchard"—in Basle, Switzerland, will become the home of the new International Bank

What the Figures Show

THE latest week's records—mostly for the second and third weeks of December—reveal an unmistakable strength in the business situation. There is definite sign of resistance to any drastic rate of decline in either industrial activity or general trade. Although later weeks may make up for the good showing, the latest figures lend some support to the general impression that the holiday stimulus to trade this season was about as strong as usual.

Steel mill operations during the week preceding the Christmas holiday continued almost unchanged at 63% to 64% of capacity, as compared with 81% a year ago. Current estimates in trade are that during the Christmas week, after allowance for the holiday shutdown, the rate of operations was continued at about the same percentage. It is to be expected that the last two weeks in December would reach the low point for the year, because of holiday suspensions for inventory and repair purposes. There is some sign already of a revival of steel demand from the automobile industry and a slight quickening of sheet production. Fabricated structural steel demand continues at a high level, with awards last week the second largest of the year. Steel scrap prices have lately failed to show the weakness that was expected in the circumstances. There is general confidence in the trade that the turn of the year will show an increase of steel production.

THE rate of building contract awards continues to hold up remarkably well in view of the season and the general situation. For the week ending December 20 the daily average of general building contract awards was only slightly below the preceding week, although substantially less than last year. Heavy engineering construction awards, according to *Engineering News-Record* figures for the week ending December 26, showed a sharp drop below the preceding week and below last year. An encouraging feature of the building situation is the pronounced strength of building projects in the New York district.

Bituminous coal production continues at a substantially constant rate, considerably above last year's level.

Petroleum production showed an increase in rate for the week and remains above a year ago. The increase was accounted for wholly by larger production in the California fields.

The price situation shows increased irregularity, which may indicate greater

FIGURES OF THE WEEK

(Compiled with the co-operation of the Survey of Current Business)

PRODUCTION	Latest Week	Preceding Week	Year Ago
Steel Mill Operation (% capacity)	63	64	81
Building Contracts (F. W. Dodge, daily average in thousands)	$10,373	$11,179	$16,935
Bituminous Coal (daily average, 1,000 tons)	1,928	*1,955	1,839
Petroleum (daily average, 1,000 bbls.)	2,634	2,622	2,551
TRADE			
Car Loadings (daily average all classes, 1,000 cars)	154	156	161
Check Payments (outside N.Y. City, millions)	$ 6,524	$ 5,735	$ 6,860
Wheat Receipts (1,000 bushels)	7,010	4,788	8,916
Cotton Receipts (1,000 bales)	417	477	414
Cattle and Calves Receipts (1,000 head)	280	296	297
Hog Receipts (1,000 head)	723	770	765
Wool Receipts (1,000 lbs.)	2,890	5,252	3,133
PRICES (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ 1.18	$ 1.20	$ 1.11
Cotton (middling, New York, lb.)	$ .171	$ .173	$ .205
Iron and Steel (composite, ton)	$35.89	$35.97	$36.24
Copper (electrolytic, lb.)	$ .178	$ .178	$ .158
All Commodities (Fisher's index, 1926-100)	92.8	92.6	96.9
FINANCE			
Total Loans and Discounts, Federal Reserve member banks (millions)	$17,347	$17,375	$16,248
Commercial Loans, Federal Reserve member banks (millions)	$ 9,451	$ 9,557	$ 9,119
Brokers' Loans, New York Federal Reserve member banks (millions)	$ 3,328	$ 3,386	$ 5,096
Federal Reserve System Ratio	67.6	69.3	61.6
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	18,008	23,109	17,089
Stock Prices (N.Y. Times, average 50 stocks)	$202.69	$211.38	$215.77
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$59,155	$64,071	$42,750
Bond Prices (Dow, Jones, average 40 bonds)	$ 93.89	$ 94.29	$ 96.04
Interest Rates—Call Loans (daily average)	4½%	4½%	7⅜%
Interest Rates—Time Loans (daily average)	5%	5%	8¼%
Business Failures (Dun, number)	498	514	359

*Revised

resistance to further decline. The Fisher all-commodity index increased slightly for the week. Wheat prices declined to a point near the Farm Board's official loan price and the cotton average weakened somewhat further under continued slackness in demand. The iron and steel composite declined slightly, but copper remained steady.

THE general trade indicators are better for the latest weeks covered. The daily average of all classes of carloadings declined only slightly for the week ending December 14, but remains below last year's level. It is interesting that loadings of miscellaneous and less than carload merchandise for the week remained practically unchanged from the preceding week, thus reducing a gap between this year's and last year's figures. We may normally expect a very large drop in the last two weeks of the year, but the resistance to unusual decline in the last two weeks is an encouraging sign.

Equally encouraging is the fact that commercial transactions as measured by check payments outside of New York City showed a larger rise for the week ending December 18 than took place last year at this time, although the figures are still somewhat below those of a year ago. In the 131 cities where the slackness in stock trading probably has no great influence on the statistics, bank debits rose 10% for the week and were less than 1% below last year's level.

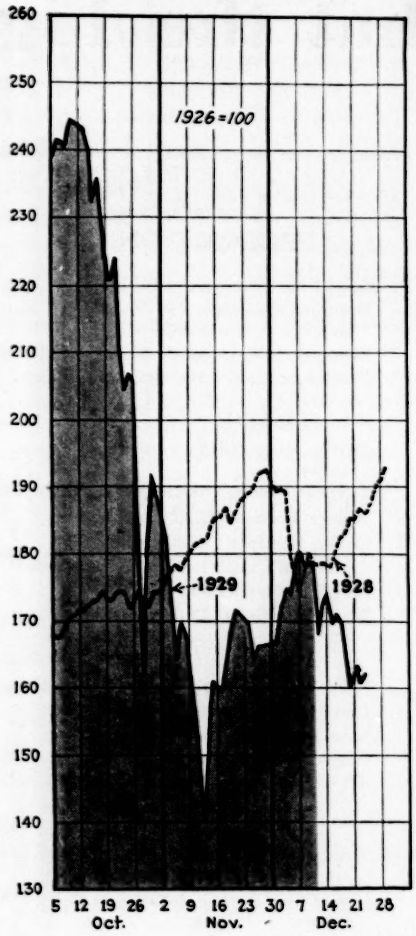
Money and the Market

STOCK prices, as judged by the averages, moved upward slightly this week. However, the market was irregular and some groups were left standing at or near the lows established in the October-November break. Volume of trading was small, as might be expected of the holiday week.

The possibility of a "January rise" is an interesting subject of conversation along Wall Street. Such a movement would not be unusual. January will see the distribution of more than $1,100,000,000, in dividends and interest payments. This record total reflects the unusual prosperity of industry in 1929.

THE MARKET DAY BY DAY

(Standard Statistics Company's Daily Stock Price Index)



Reinvestment of these funds in January will create a new demand for securities. Investment and speculative portfolios must be replenished after heavy selling to establish losses for taxation purposes. A considerable part of the funds freed in the liquidation of recent months must still be put to use.

Against these upward forces is pitted the general feeling of caution in regard to the stock market. This is based largely upon fear of a continuing business and industrial recession and the prospect that early 1930, at least, will not see much of a pickup.

Publication of the Interstate Commerce Commission's railroad consolidation plan was the week's big news but it had little, if any, effect marketwise.

Money showed distinct tightening tendencies in the week. Holiday demand for credit and currency combined with preparation for year-end distribution of funds to bring this about. Call money broke away from the 4½% level of late weeks, to go as high as 6%. The rate on acceptances moved slightly upward for the shorter maturities. Some further tightening would not be surprising.

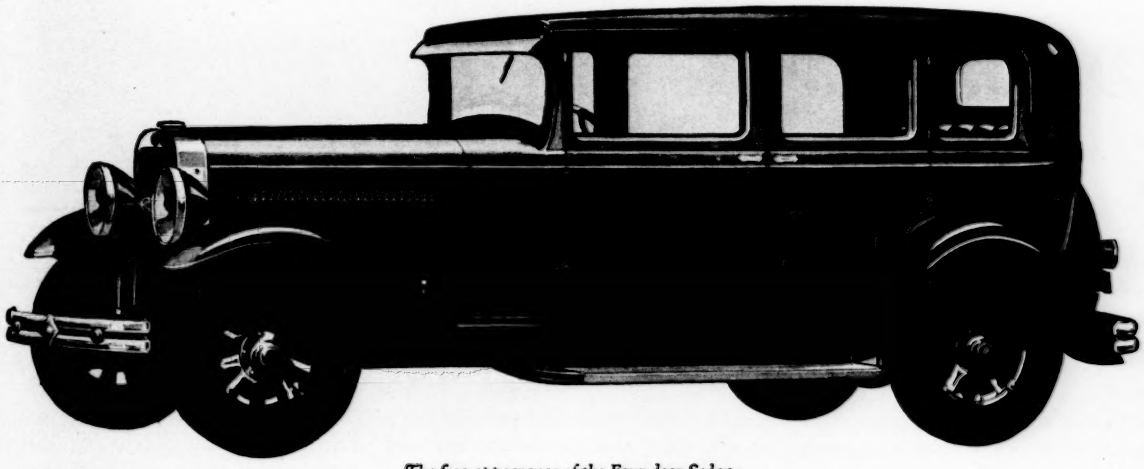
Brokers loans decreased $58,000,000, bringing them to a total of $3,328,000,000. Both banking and non-banking lenders withdrew funds from the call market as all institutions prepared for the year-end and the banks met the holiday demand.

Foreign exchange remained strong and without much change. Gold export totaled $16,386,000, running smaller than last week, largely due to the holidays. Virtually all of this went to France, and an additional $11,000,000 was earmarked for foreign account. Imports were negligible.

There are, as yet, no signs of a letup in the outward gold movement. Indications are that a considerable additional amount will leave in the next few weeks. France is an especially avid taker. The fact that the note cover ratio of the Bank of France is at a new high record of 47.86%, that gold and gold exchange provide a 100% note cover and a 77% cover for both notes and deposits does not satiate the French appetite. Rediscounts with the bank are at the lowest level since early summer.

The French prefer New York's gold to London's, since more profit comes from the shippings. Numerous three-cornered transactions are reported, due to the peculiar foreign exchange situation. In this plan francs are changed into sterling and gold purchased with the sterling from New York, sterling being in a more favorable position than francs.

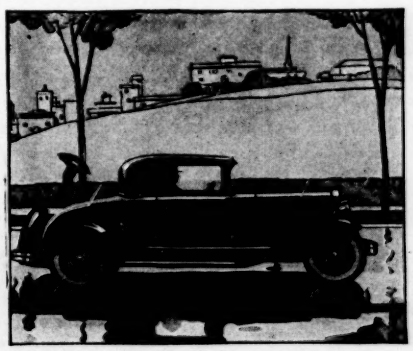
Credit extended by Reserve member banks increased slightly, going up $11,000,000. A drop of $106,000,000 in "all other" loans was balanced by an increase in security loans and in investments. Federal Reserve credit outstanding increased $23,000,000. Holdings of acceptances and of discounted bills rose. The system distributed some of the government's December 15 securities, and this classification went down.



The fine appearance of the Four-door Sedan is a credit to any business organization

designed with exceptional factors of safety. Vigorous inspections insure the maintenance of high standards of quality and precision. In the big 62-h. p. engine, for example, not only are the main, connecting rod, and camshaft bearings pressure lubricated, but oil is also forced to the piston pins—a practice unusual in cars in Oldsmobile's price class.

In addition to its dependability, Oldsmobile offers other equally practical advantages. It is a splendid car to drive, free from vibration and nimble in traffic—a pleasure to handle over any road. Fingertip steering, four Lovejoy hydraulic shock absorbers, restful cushions, and adjustable drivers' seats enable salesmen to reach their destinations refreshed and mentally alert...ready for the most difficult interview.



Snug, weathertight, and properly ventilated—thanks to the superior design and construction of the Fisher Bodies

And further, Oldsmobile with its fine Fisher Bodies and deep, lustrous colors has the smart prestige-building appearance that you should demand in a car which bears your name or which makes its appearance in front of a customer's place of business.

Whether your requirements are for two cars or two hundred, it will pay you to investigate Oldsmobile. This fine car of low price offers you tangible advantages entirely out of proportion to the slight difference in investment between Oldsmobile and lower priced cars.

Make your comparison on the basis of demonstrated ability, low maintenance cost, and total possible hours in service—on the basis of big car style, comfort, and performance . . . and you will see the business wisdom of selecting a fleet of Oldsmobile business cars.

OLDS MOTOR WORKS, LANSING, MICH.

COUPE OR TWO-DOOR SEDAN . . $895 FOUR-DOOR SEDAN $995

Prices f. o. b. factory, Lansing, Michigan, Spare Tire and Bumpers Extra

CONSIDER THE *DELIVERED* PRICE

Consider the delivered price as well as the list price when comparing automobile values. Oldsmobile delivered prices include only reasonable charges for delivery and financing.

OLDSMOBILE

The CAR FOR BUSINESS

PRODUCT OF GENERAL MOTORS

1930—
A Good But Not Easy Year

IN most respects any forecast of business conditions made at this time for the whole of next year can be little more than a pious wish. We have a lot of hope but little knowledge. The reason lies in the peculiarities of the present situation. Ordinarily when we come to the end of a year we know most of the basic conditions on which business has to proceed through a large part of the following year. This time we do not. Some features of the situation are fairly clear, but there are several large, unknown factors which are very important and which, together, may well make the difference between a fairly good year and an exceedingly poor one.

Most of these unknown factors have been brought into the situation by the stock market crash, and not by the gradual recession in business which has been going on since the middle of 1929 and which is a thing quite distinct from the stock market history in its relation to the business outlook. Very few mysteries are attached to the decline in industrial activity since last summer; but the stock market situation has scrawled a large question-mark over the business future.

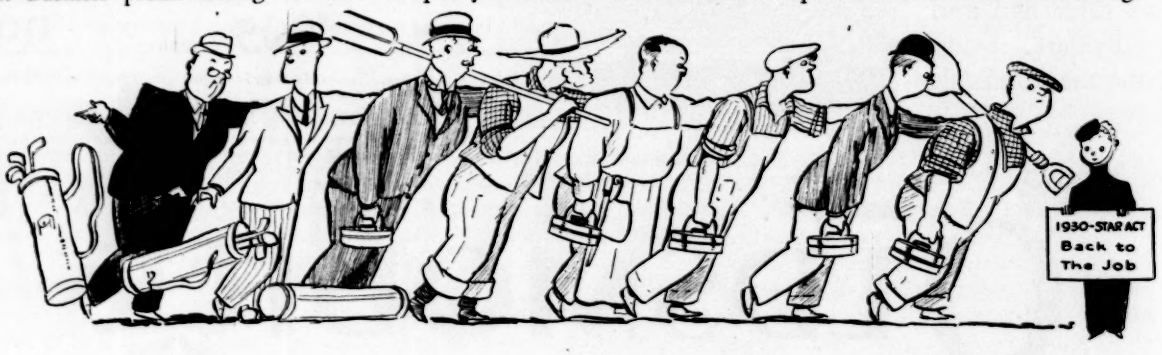
Let's list first the known elements in the situation:

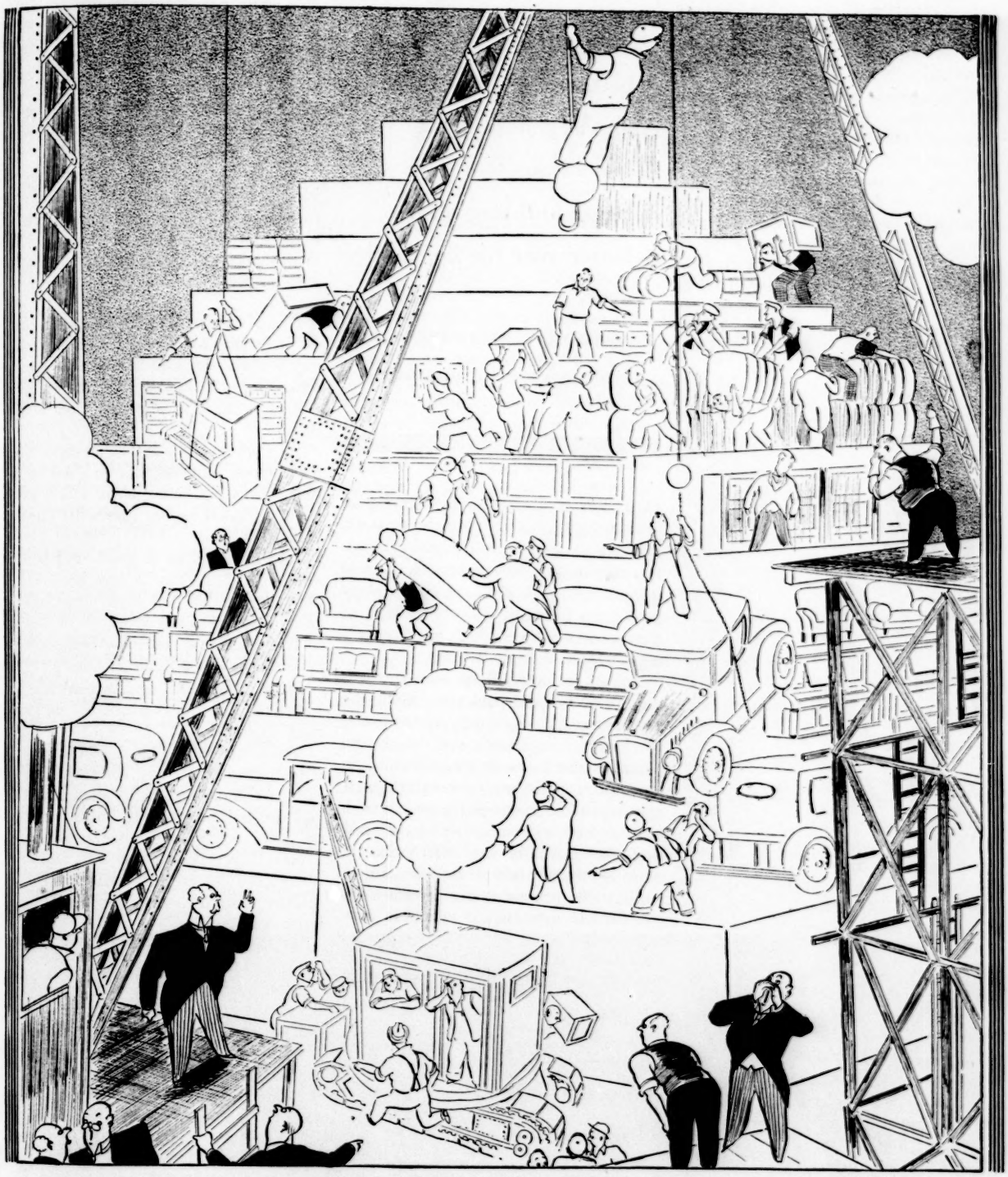
At the outset is the fact, pointed out in the last issue of THE BUSINESS WEEK, that 1929 was a good business year, but not a year of good business. The distinction lies between the quantity and the quality of the business prosperity of the year. Business profits during the first three-quarters were especially large, but they were not on the whole well made. Though there was probably little speculation in business, there was a lot of business in speculation. It was a year of over-extension and inattention. There were too many weak and artificial mergers and consolidations and too few businesses minding their own business. Business efficiency in 1929 was probably below par. This may be considered a favorable factor in so far as it at least provides the opportunity for that more intensive concentration on business development which other factors in the situation will make necessary. It may at least be said that business has room for vast improvement in 1930. So far as its own effectiveness is concerned, it has not been too good to be better.

Secondly, the period from the middle of 1928 to the middle of 1929 was a rather badly controlled boom year in certain lines of production. Essentially it was another automobile year, lopsided, unbalanced and abnormal. Business was very badly distributed throughout 1929 and throughout the various lines. Production and capacity far outran the market in some fields, such as the automobile and radio. The reaction to these conditions began before the stock market crash. Whatever the effects of the latter in itself may be, we have to start 1930 with the problem of readjustment to a more normal level and a better balance of production. These characteristics of the past year are not so favorable. It is hard to climb down from a peak without slipping, especially during the winter time. After a boom year a normal year always looks rather depressed; and where capacity has been unwisely extended, it usually *is* depressed.

Third, the present crop year was only fair. Agricultural purchasing power accruing from this year's farm operations and available for spending until next year's crops are harvested and sold is apparently just about even with or only very slightly higher than the preceding year. Moreover, many farmers are depending for this sustained purchasing power upon government credit. Left to themselves, the price of wheat and cotton and other staple agricultural products would probably bring less than they now bring, and it is quite possible that prices may not hold up in spite of government support, because the markets are discounting this factor in their own mysterious ways. All this means that, at least so far as the first half of 1930 is concerned, business can't expect any very great stimulus from the farmer.

Fourth, city workers made more money in 1929 than ever before; it cost them a little less to live; but they saved, on balance, less than nothing. For the year ending June 30, 1929 the figures indicate that withdrawals from savings banks exceeded deposits and the accumulation of interest on existing deposits by at least a billion dollars—and of course the last half of the year doubtless did not improve matters much. Even though em-





1930—A TEST FOR BUILDERS

ployment and wages remain good it will be both common sense and sound instinct for workers to fill the gaps in their savings accounts before they do any extra spending.

Fifth, international financial and trade conditions have set in which are making for a rapid outflow of gold and renewed extension of credit abroad. It is uncertain how long this outflow will continue, but so long as it does it is bound to have some effect upon credit conditions and money rates in this country. So far as European purchasing power is thereby improved, this condition is favorable; so far as it is not offset by appropriate Reserve Bank policies this tendency is not favorable to rapid domestic business expansion.

Sixth, residential and public building have been retarded for more than a year by unfavorable money conditions, while commercial and industrial building in certain sections and certain lines have probably been overdone. This situation is favorable for some expansion of construction work in 1930 provided long term interest rates upon which such building depends do not increase much.

Seventh, the textile, clothing and coal industries are in a generally stronger position than they have been in some years. This strength is evidenced in the textile and clothing industries by closer control of production, by the absence of very large accumulations of stock, and by resistance to price cutting. Changing fashion conditions have also helped to put these industries in a better position. Coal has done a better business and made a little money this year for the first time in a long while. These slight signs of improvement in the invalid industries are fairly definite and help to brighten the picture somewhat.

Eighth, the railroads are stronger financially and in operating efficiency than they have probably ever been. This also is a good start for the year. It means that the railroads have more money to buy and build things with, and are able to carry as much goods as they may be required to quickly and efficiently—which always helps business.

WITH these fairly definite things in mind, let's look now at the unknown quantities in the equation:

First, we do not know and probably will never know exactly what effect the stock market collapse up to November 13 in and of itself had upon consumer purchasing power or upon the financial position of many corporations. The effect may have been very serious or quite insignificant. We shall probably never be able to isolate it from the effects of the business decline which had been going on for some time before.

Second, we do not know enough about the position of the banks, especially the smaller ones throughout the country, and particularly concerning the extent and nature of the loans on securities and on inventories they are now carrying. It may be that banks generally are as heavily loaded up with securities as ever and that manufacturers and merchants are more heavily in debt to them than they ought to be; but we cannot be sure without further information which is now lacking and probably will not be available while it is of any use.

Third, we do not know what effect the activities started by the President have actually had and will actually have. It may very well be that these activities will prove either a very important or a wholly negligible factor in the situation in 1930.

Fourth, the outcome of many important legislative matters in Washington, such as the tariff revision, is uncertain at this time. Of all the unknown factors in this present situation this is probably least important.

1930 WILL BE—

A better year than 1927.

About as good as 1928.

A less automotive year.

A larger building year.

A better year for bond salesmen.

A year of less swagger and more sweat in business.

1930 WON'T BE—

As good as 1929.

As bad as 1924.

A year of very cheap money.

A year of record foreign trade.

A bull market year.

An easy year.

IF now we put the most favorable construction upon the unknown elements of the situation and take the somewhat mixed known factors into account our guess for next year comes out about this way:

As a whole 1930 will be a year of fair but difficult business, not so good or so easy as 1929, better than 1927, and about as good as but somewhat harder than 1928.

Business will be a good deal better done in 1930 than it has been since 1927. There will be much more sweat and much less swank in it.

The number of business failures will be larger during 1930 than during 1929.

Prices, wages and employment will be somewhat, but not much, lower in 1930 than in 1929.

Residential and public building will tend to be larger, and commercial and industrial building smaller than in 1929, and the building supply industries will be more active and more prosperous.

Steel ingot production will probably not exceed 50 million tons. It will be smaller than in 1929, but possibly as large as in 1928.

Automobile production will not exceed 5,000,000.

Export trade will not be much larger than in 1929 and will be much more difficult to get and to hold.

Bond issues will be larger and stock issues smaller than in 1929.

Money rates will average higher than they have been since the stock market crash, but not so high as they were in 1928 and 1929.

Stock prices will be lower some time in the first half and higher some time in the second half of 1930 than they are now, but not so high as they were at the beginning of 1929.

This Time They Did Not Cut Wages

Modern management goes to extraordinary lengths to avoid using the old remedy

"CALL off that wage cut!"

More than one message of this sort was rushed into the home office from Washington following the President's recent conferences with business and industrial leaders.

And there, in a nutshell, is an indication of the far-reaching effect of the Hoover conferences. But what is perhaps even more significant, such messages vividly illustrate one of the most remarkable phases of the recent speculative fiasco—the fact that American industry made practically no use of that "liquidation of labor" which heretofore has been its first response to threatened depression, and an ever-present help in time of trouble.

Unfortunately, there were exceptions to the rule. Not all concerns—not even all the large corporations, presumably most progressive—met the situation with calmness and good-will. Some automotive companies, supposed to have far-sighted personnel policies, laid off and discharged employees with what seemed precipitous haste. But in these instances—or, at least, in many of them—demoralization was so complete as to raise the question of whether such action was based on business outlook, or was due to big stock market losses by high executives. Whatever the reason, the process of regaining confidence of employees, sacrificed in a flurry of irrational fear, will be slow and expensive. It is fortunate for business and industry that the number of companies which thus lost their heads is comparatively small.

If corporation management is truly modern, it will aim to anticipate such emergencies; it will handle them with the least possible friction and bring the least possible uncertainty to employees. Many concerns, if the necessity to retrench is desperate, reduce working hours rather than working forces; they, at least, keep their employees on the pay-roll. Others are following the example of General Electric, which has a comprehensive training program that fits each workman for several jobs, so that he can be shifted effectively during slack seasons. Still others, such as Procter & Gamble, minimize the shock of lower wage schedules by insuring their employees against unemployment. Hart Schaffner & Marx, and several other big garment manufacturers, cooperate with their employees in maintaining an unemployment reserve.

Another plan which is more and more coming into use is to pay workers with a certain service record a separation bonus to help tide them over the period of job-hunting. Standard Oil Company of New Jersey continues the advantages of group insurance for six months after the workman has been discharged or laid off. There are great possibilities in the so-called "B. & O. Plan" adopted by the Baltimore & Ohio Railroad, Canadian National Railways, and others. Under this scheme the workmen consult with the management as to the best means of meeting slack times. In the majority of cases something is worked out which is to the best interests of both employer and employee.

Periods of depression pass with a minimum of trouble where there is full cooperation and mutual understanding between management and workmen. Moreover, such periods can often be

We Don't Believe In G-H-O-S-T-S

A newspaper—and The Business Week is all of that—has no use for ghost writers and glorifiers. Its news, its features—like its editorials—voice the opinion of the paper itself.

Without benefit of "by-line", greater editorial freedom is gained. The truth can be told unhampered by personal considerations. The biggest business men can say what they think about a given situation, and The Business Week can print it.

utilized in positive ways, bringing future benefits. One company is using the let-down period for a survey of its entire organization by a consultant. Officials who had not approved the survey no longer objected when it was offered as an emergency measure quite likely to find a means of avoiding future trouble.

Another far-sighted corporation went to its customers and frankly told them that, without orders, factory forces must be reduced. It offered a discount in return for the budgeting of next year's orders into monthly requirements beginning at once. As a result of the scheme, the factory has been kept busy; the corporation has enormously increased its customer good-will and cemented its relations with its employees. Another manufacturing concern told its customers that cost reductions were possible if they would quit asking for fancy work and numerous doo-dads on their purchases. Under stress of conditions, the plan worked. Customers have become more approachable, and real sales and production economies have been effected.

In lines other than manufacturing common-sense has also come to the rescue. A large investment house is taking advantage of the slack period to study its clients' problems, with the idea of making suggestions leading to the improvement of their operations. Another investment company believes that the impetus given to salesmanship by the market crash will repay it for any immediate sales losses. It is concentrating its efforts along this line.

These few examples simply emphasize the fact that now is a good time to check up on past operations and future prospects, to economize and to get everything ready for the return of prosperity. When business is booming, there is scant time for economizing. When business is not good, economy becomes so important that there is not always time to work out the best methods of applying it. Changes that were impossible in periods of high production are often rushed through when everyone has his eye on an executive order to save money. As Uncle Remus put it, "Co'se Ah knows no rabbit can climb a tree, but dis time, honey, he jest nacherly had to."

▼

Prickly Pear Blues

WELL! well! well! Another useless thing has found a use. Needles of the prickly pear are cut to size, shaped, polished, and sold as gramophone needles by British manufacturers. They are said to give unusually fine tones and to last for 100 playings.

Banking in 1930

The banks have been tried by fire in 1929• Few have been burnt• They face difficult tests in 1930 • Credit conditions have changed • Investments need to be scrutinized, readjusted • Groups and chains must prove their value • So must new forms of banking service, new kinds of financing • Expansion is in the air, but so is a Congressional investigation • January and February will be crucial months • •

THE position of the banks, which emerged from the stock market disturbance as the strongest element of the financial structure, considerably brightens the 1930 outlook for business and industry. The stability of the banks, so greatly emphasized in recent weeks, remains unquestioned. This is particularly true of institutions in New York and other large financial centers. In the country as a whole, the situation is not quite so favorable. An activity so thoroughly woven into the economic fabric cannot escape entirely the consequences of such a tremendous upheaval as occurred in Wall Street. But there is no reason to fear that serious trouble will arise anywhere in the United States, or that drastic action will be necessary.

Nevertheless, the banks are confronted by many difficult and very definite problems. The question of reorganization, increasingly conspicuous during the past year, remains unsolved. Readjustment and liquidation required by the market collapse have scarcely begun. The question of how bank loans and investments should be handled to ensure proper diversification and a safe degree of liquidity has not yet been answered. New methods of financing industry and commerce must be evolved, now that the market for stocks has slowed up, if not dried up. Brokers' loans are an unsettled question. So is the growing competition between banks and other financial institutions. And the financing of America's growing export trade clamors for attention.

Solutions for some of these problems may be found during the months of January and February—a period of stock-taking, in which the currents of next year's business begin to sweep out of the holiday eddy. But it will take longer than that to solve the others.

The reorganization question will keep banking circles in a state of uncertainty for some time to come. The likelihood of a settlement is not increased by the probability of a Congressional investigation. The United States already has at least five banks with assets of more than $1,000,000,000 each, and the trend toward such huge organizations continues, though moderated somewhat by the stock market collapse. Group or chain banking, most recent effort to outflunk the laws against branch banking, has strung the country with lines of company or individually owned banks associated under the same management. Already this form of banking accounts for 7% of the banks and 18% of the resources. More money and more banks are being added every week.

This whole development has been but slightly checked by legal barriers. President Hoover, Secretary Mellon and Comptroller Pole have put the problem flatly up to Congress, but Congress will probably order an elaborate and extensive investigation. Legislation appears to be at least a year away, despite the fact that Federal authorities consider the problem very acute. There has been some disintegration of the national banking system as more liberal state laws have induced banks to abandon their federal charters.

Readjustment of credit lines by the banks is also an important problem. During the past years of over-emphasis on stock speculation, business, especially big business, has gone to the stock market for credit accommodations and not to the banks. Credit has been increasingly extended upon securities. In recent months 58% of bank credit has been of this type. Actually the percentage is probably higher, for an unknown part of loans classified as "all other" are for security purposes.

Bankers' acceptances have also developed as another avenue of commercial financing. Even commercial paper, displaced by acceptances, has taken an upward turn in volume as commercial needs have more and more been met in the open market.

One lesson taught by the speculative era and its collapse is that the preponderance of security loans cannot continue. There must be a rearrangement

in the interests of diversification and liquidity. But an obstacle is the shortage of proper paper for the change. Commercial paper now totals only between $200,000,000 and $300,000,000, and bankers' acceptances fill only a small part of the void. The banks need paper which will provide them with short-term liquid obligations eligible for discount at the Federal Reserve system. Several proposals have been made. One, highly regarded by Reserve authorities, favors the expansion of bankers' acceptances, which are eligible paper. Education would be necessary, for most banks are unfamiliar with these bills. Another step suggested is a change in Reserve regulations to make paper based on instalment sales eligible for rediscount. It is estimated that there is from $1,000,000,000 to $2,000,000,000 of this paper in existence. A third proposal is that the whole Reserve system be changed to make securities eligible for discounting purposes.

After losses have been written off and readjustments made, as is being done now and will be done in 1930, bank earnings should continue high. Contrary to popular belief, banks earn more in periods of moderate interest rates than in those of either extremely high or extremely low rates. The outlook for 1930 is for moderate rates of interest.

The banks are successfully opening new channels of income by banks; a number of institutions have gone far along this line. The groups and chains of smaller banks can do much in this way, for many of the new activities are closed to smaller institutions. Important among these are the rapid development of trust activities, affiliation with security houses, opening of foreign departments, employment of research for better and more economical methods of operation, promotion of savings and investment services.

But in pursuing such activities, the banks are coming into competition with other financial institutions. Insurance companies and independent issuing and investment banking houses are most affected.

Brokers' loans, it has been said, still remain a question. This is specially true for the larger banks. Although these loans are smaller by about 50% than at their peak, the problem of non-bank lenders is just as puzzling now as it has been at any time this year. The growth of these loans in the past two years from a negligible amount to more than one-half of the total has been an outstanding development. And although there has been a deflation, these loans still account for about 55% of the total. In other words, non-bank lenders continue to dominate the call market.

Following the market crash there was some concern over the possibility that the banks would have an over-supply of funds, forcing rates to extremely low levels.

This development appears highly unlikely. Longer-term factors indicate that the demand for money will increase more rapidly than the supply. Even in the immediate future, gold exports, new industrial demand and some tightness occasioned by the nursing process rather strongly preclude the possibility of money rates reaching levels much lower than at the present time.

Mass Production on Dotted Lines

So vast a nuisance has signing—checks, contracts, leases, stock certificates, bonds or what-not—become that a special business has sprung up of late years in the greatest center of paper shuffling in the world. Wall Street houses a signing business.

The founder of this curious industry, who is also the inventor of the signing machine, still thinks that it is better that nobody but his clients should know of the existence of straight-line production in signatures. Nobody has interviewed him about it since he invented his contraption back in 1908, just after he got enough of being a stockbroker in the stock-quake of 1907. He became known to the paper handling craft through his first gigantic job, the signing of new securities necessitated by the dissolution in 1911 of the old Standard Oil Company of New Jersey on a basis of thirty-three to one, a thirty-three pen operation which saved tens of thousands of hours and the arm aches for officers of Standard.

Today this interesting gentleman, here unnamed because he has a horror of being named, is elderly, vigorous, prosperous, supporting the responsibilities of a very large and a very confidential business, enjoying the absolute confidence of the most repetitious and most respectable signers in the United States. Legitimately is he just a little bit proud of being the man who has manufactured more stationery into real money value than any private person in history.

The signing machine itself, known under the patented mark of signagraph, is a simple enough apparatus, a broad table overhung with pens, with rollers on its ends for feeding the attached sets of stock or bond certificates or what not—almost anything of uniform size and shape—under the signer's twenty pens and out again. The whole trick of the device is in the adjustment, which is nice. The signer makes as if to sign his name with a single dummy pen, or one with a real point in it in case he is inexperienced and has to see his name really written before him as a psychological aid. The reproductions by the flock of twenty fountain pens, which ripple over the colored engravings for all the world like a flight of blackbirds against foliage, are good if not perfect. Indeed, a forger would have more trouble imitating them than he would a veritable hand signature.

An ordinary executive, accustomed to signing while he thinks about something else, can do about fifty times as many signatures per eight-hour day on the machine as he can by hand although the pen ratio is only twenty to one. The rhythm of the boy who feeds in the blanks and the girl who takes them off at the other end of the machine keeps him swinging along; the presence of rows of other signers in the vast room of silent machines also rouses his speed. In this case, of course, there is everything in a name. A. Lee would be a record breaker; Aloysius Obadiah Katzenellenbogen could not hope to stand his pace.

Adjutant General H. B. McKane of the United States Army did sign eighty thousand officers' commissions a day during the late war. A famous signer, too, was a Monsieur Bibiby, French Government official, who affixed his curious name to bonds at very high speed despite his habit of lifting the pen several times during each signature. Record signers reach 20,000 signings per hour, which eats rapidly into the largest clerical jobs, few of the largest stock issues surpassing 500,000 pieces of paper. President Wilson asked for a machine at Shadow Lawn, his summer residence on the New Jersey coast, but the experiment was a failure because the papers he had to sign in series—he loathed clerical work—were not of uniform size and shape. Mr. Hoover used the machine before he was President, but he went down to the financial district to do it, like anybody else.

WHAT THE LEADERS ARE SAYING

WALLACE THOMPSON, editor of *Ingenieria Internacional:*

"Encouraging is the fact that uneasiness over recent Wall Street fireworks and a reviving interest in exports synchronized so perfectly in many companies that when the worry passed and the thought of export as an escape-valve faded, the thought of export itself remained as a real bread-and-butter part of business.

"In 1907, after the panic, there was an ill-considered rush into export. Again in 1922, manufacturers learned that the export market was not inclined to buy merely because we wanted to sell. But now is a great moment for the exporters; probably the sanest boom period in all our export history is at hand.

"Two factors must be watched. Export is an ordinary and not a high-pressure sales effort. Most foreign markets are the result of slow and careful building, not to be looked to as dumping grounds. Bankers must devise methods for selection and distribution of such foreign bond offerings as will best benefit industrial developments, carry contractor's loans and finance public and private works."

No social type in the modern world is more completely the slave of habit without philosophy than the average business man. Harold J. Laski, professor of Political Science, University of London.

ENCOURAGING year-end discovery is the steady and rising position of stocks in the leather group on the New York Stock Exchange, despite recent panic conditions.

Anent future progress in the industry, Julius Klein—frank, terse—told executives of the Tanners' Council:

"We are the largest leather producing country in the world, and although only operating at less than 70% of capacity, we find foreign outlets for 10% of our output. The more important producing countries in Europe sell as much as 20% to 25% of their output abroad. Some of you will contend that it is entirely a matter of price, but I do not agree. While the question of price frequently enters, consider also quality, prompt deliveries, careful grading and credit terms. Had you given more attention to this phase of your business, your export sales in the past would have been much larger than they were.

"We can learn much from the activities of our competitors. Germany sells more than 20% of her total leather output in foreign markets, and in recent years her export sales were greater in value than ours by more than $5,000,000. Make the export field attractive to young men. Train your prospective foreign representatives at an early age. They should be prepared to make their residence in foreign countries, to study the customs, and methods of doing business there, and to form advantageous contacts with the local leather trade."

FROM Lawrence Stern and Company come these facts, indicative of a surprising and rapidly growing trend toward feminine control of the individual wealth of the United States:

"Nearly 41% of individual wealth is controlled by women. They are beneficiaries of 80% of life insurance policies; they constitute nearly 40% of the customers of investment bond houses; they are receiving 70% of estates left by men, 64% of those left by women."

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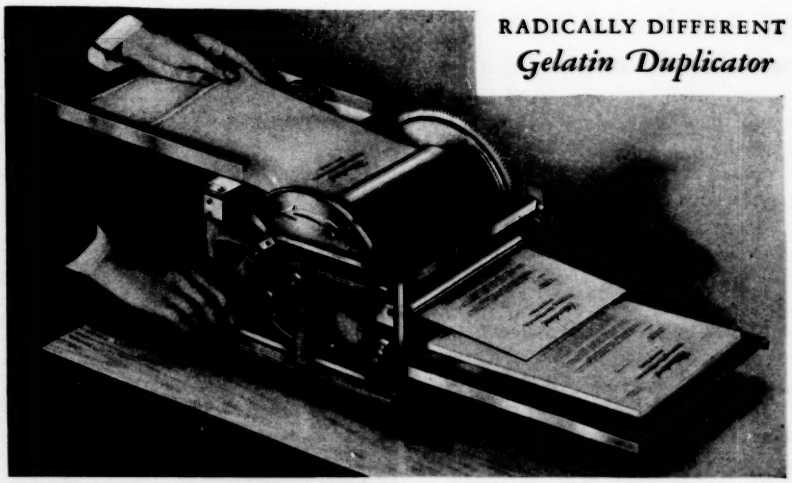

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WHEN GOLD GOES TRAVELING

IT is a reflection upon the economic state of man that he should need gold at all in order to carry on his business. It is equally a discredit that having this admittedly necessary little store of precious metal, he should be under the almost superstitious obligation of forever hauling it about from metropolis to metropolis, over treacherous watery wastes. Gold coins, foolish little tokens of value, do more traveling than any commonly procurable objects which we ever see. And especially foolish is it when the little golden rivulet turns to flow the wrong way, to a place where it will do no good.

Just that is happening now. The gold stream has headed back for France, where it will be hoarded, doing no man good.

The theory about gold imports and exports is of Einsteinian complexity. Although there are numbers of men who set themselves up as authorities, yet it is impossible ever to get any one of them to agree with any other one.

To the actual importer or exporter, however, the problem presents no more than finely whittled arithmetical difficulties. Some years ago, a New York trust company hired a highly-recommended Frenchman to look after its gold shipments. The bankers asked him what kind of an economist he wanted himself called. The astonished Gaul replied that he was no kind of an economist at all, that he was merely a "bullion man."

The bankers invited him to pick a quiet office and to draw up a requisition for a library and for such technical workers as he would require on his statistical staff. The embarrassed Parisian declined. As for an office, the noisier the better, said he, because he preferred to be out among the boys where he might improve his English; as for a library he never had used one in his life; as for staff, he needed nobody; a telephone, some pads of paper, a few sharp lead pencils, access to calculating machines, that was all he wanted.

This is more or less how a bullion man works:

He watches all of the foreign exchange quotations. At every moment he knows the trend of exchange towards or away from the hypothetical points at which it is profitable to ship coin or bullion. As these points appear over the financial horizon he begins to bargain over the telephone and over the cables to see how he will come out if he does a deal.

When he is sure the situation presents a clear possibility of a trade he starts his last and finest calculations.

It is here that he shows his skill. The mere loss of interest during the time of transit, according to the steamship schedules, is a routine calculation, but it is subject to perilous correction. Sometimes it is possible to gauge weather, sometimes not. A delay of even a few hours, an arrival after banking hours, with consequent loss of interest, might wipe out the entire profit on an operation.

A case in point was the *Mauretania's* striking a barge in Manhattan's lower bay. The liner had gold aboard. It wasn't safe to try to get it hurriedly ashore. In a few hours she was under way again. Nevertheless the delay got her into Cherbourg just late enough to miss getting the gold receipted for by the Bank of France within the limit of profit.

The least weighable of all the imponderables in the gold trade is one which by its very nature cannot be decided by the bullion man. It is the prestige value of the shipment—in less stilted language, the frank advertising worth of the announcement in the newspapers that Bank So-and-So shipped so many millions to Paris yesterday on the SS. *Such-and-Such*.

The profits of the trade of late years are almost grotesquely small. Not very long ago, a huge institution shipped $12,000,000 half across the earth for $70 in net profit. Because it was an initial movement, the movement was considered worth while.

Some $54,000,000 has moved from New York to Paris since October. The chief shippers have been Lazard Frères, traditionally the most active French foreign exchange traders, and the Equitable Trust Company, whose Paris branch, always astutely managed, is the outstanding American financial institution in Paris.

One must be careful to differentiate clearly between the commerce of the actual shipping of the metal, undertaken for simple profit, and the far larger order of reasons which govern a State in having gold brought to its coffers.

The French Government has no financial need whatever for this gold. Why, then, is France importing gold? Voilà la question, as the French translate Hamlet!

The outstanding fact is that France is today hoarding a sum of gold all out of proportion to her national income. Some little time ago the Banque already had more than $40 gold for every man, woman, and child under the tri-color. The United States' hoard sank to not much above $35. Is France not at long last returning to her pre-war state of a capital-accumulating land? It would appear to be so.

Nickel Spenders Free but Fussy

THE volume of 5-cent purchases is not going to be decreased by the slump in stock, says a company that operates news and candy stands in 38 states. The American public, when it stops to buy a bar of chocolate or a bag of salted peanuts, is never so hard up that it hesitates at parting with a nickel —or a dime or a quarter, for that matter.

"But people want to know what they're getting. They buy nationally advertised goods," said a representative of the company. "And don't imagine they won't complain if they're not suited! A customer will pay 2 cents on a letter to tell us that a roll of candy she bought for 5 cents was stale. We always thank patrons for such information. Keeping our supplies fresh used to be a considerable difficulty, but we have solved the problem by our system of distribution. The turnover is very rapid—sometimes one day, rarely more than two or three. Profit is small on each sale, of course. Volume is what makes the business worth while.

"That it offers additional revenue to concerns in higher-price fields is shown by the fact that a candy company operating a famous chain of restaurants has put a 5-cent package of its candy on the market. This reaches communities where the organization has no restaurants or confectionery stores.

"We could doubtless build up a business in many small necessities and conveniences that we do not carry. We never shall carry them, though. Space in our stands is limited, being largely filled with magazines. At railroad stations in the west, we do sell articles for travelers —the soap or the toothbrush that may have been forgotten, for instance. And in smaller towns where local candy is manufactured, we make a point of carrying it as a matter of goodwill. That, by the way, is the only exception to our rule of dealing in nationally advertised commodities. What our customers want is a standard grade of goods put up in small packages. Cheapening a product on introducing it to the 5-cent field would be short-sighted. Quantity, not quality, must be cut."

▼

NO man is a great man to his valet, says André Maurois, but that does not prove that there are no great men; it proves that there are very few great valets.

A MESSAGE *for* 1930

WE HAVE faith in the stability of business and agriculture in the United States—faith in the constructive leadership of the captains at the helm—and faith that the decade to come will be even more prosperous than the past three in this great century.

Those who agree with us are *now* investing their surplus income in sound American securities. We invite you to do the same and offer for your service the complete facilities of our organization.

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Out in the Fog at Ninety

ON the historic seventeenth floor of historic 71 Broadway there look out in uncurtained blankness upon Trinity Graveyard and upon the distant Hudson the six desolate windows of a directors' room which has never graduated out of oak into mahogany. Purchased at the turn of the century, the furniture surrounded by the dazzle of these great windows has the authentic imprint of the nineties, as if it had been bought second-hand.

Whoever fashioned the curious intermingling legs of the long felt-topped table, whoever sculptured the quaint proportions of the leathered chairs on their rollers, must have breathed his aesthetic being in a Grand Rapids of a decade that was mauve. In a corner there is a countrified roll-top affair whose austerity would have made it a sure auction buy for Mr. Coolidge. At the far base of the great table balances on its scholastic frame an old but not an antique atlas of the world, sole intimation of the scope of things which this poor architecture houses. For this modest hall has echoed thunderous voices and mighty battles. Here have always met and here meet today the directors of the greatest corporation in the world.

On Tuesday afternoons around 3 o'clock such directors of the United States Steel Corporation as are members of the Finance Committee, some half-dozen of them, are free, if they like, and if they are in town, to drop in on Chairman Myron C. Taylor, whose desk, whose only desk, is a square yard of green blotter at the head of the table. Sometimes all of them come, but that is rare. A quorum there is always but nobody knows how many a quorum is. But among the men on the Finance Committee there is one who always comes, one who has never missed a meeting when he was in New York.

The other Tuesday, just a few days ago, early arriving members wondered for once whether he would come that time. A dreadful, a disquieting fog overhung lower Manhattan like a pall of billowed fleece. Tug-boats were tooting alarms, liners were not risking their fragile noses outside dock shelter. It was a raw, a horrible day, no day for anybody to be out who could stay in. Would he come down from his cosy fireside in Madison Avenue? Probably not. It would be highly imprudent for him to do so. A secretary swung open a door briskly. There he was!

George Fisher Baker came in out of the fog.

Next March Mr. Baker will be ninety years old. It is his distinction to be not only the oldest active business man of importance on earth but to be the only really eminent man of his years who is still eminent in any great field. His faculties are strangely unimpaired. He remembers the Civil War as middle-aged men today recall the World War. He knows his business still and looks after it himself. Only when it gets downright cold does he strike out for Jekyl Island, on Georgia's warmer coast.

He goes to meetings because he likes them, because it interests him to be where business is being transacted. His are none of the eccentricities of age. He is just as he always was, a quiet and a distinguished looking man. Aristocracy is his note.

In appearance he is astonishingly like the late Austrian Emperor, Franz Josef II, rather tall, graceful with an officer's grace, of strangely quizzical eyes. His side-burns disguise nothing, enhance nothing. And in the jaunty carelessness of his dress there is that Austrian touch of great confidence, great ease, the air of a great society. It rests lightly upon his poise to be one of the richest as he is one of the oldest of powerful men.

One-sixth of Our Silver Comes from Scrap

SCRAP film from Hollywood moves to silver refineries by the trainload. Water used in washing down walls and woodwork in factories, sweepings from floors, yield up their treasure.

Silver recovered from waste annually totals 10,000,000 ounces, worth $5,000,000. That is 18% of our total production. Methods of recovering waste keep improving.

Sound [and Fury] In Movie Export

AMBITIOUS manufacturers of "shoes and ships and sealing wax"—of anything but movies—who have voyaged overseas to look at their export problems "ain't been nowhere and ain't seen nothing." That's the verdict of those who are making movies. They point out that shoes and ships and sealing wax are good in any language, but any language isn't good in a movie now that it's a talkie.

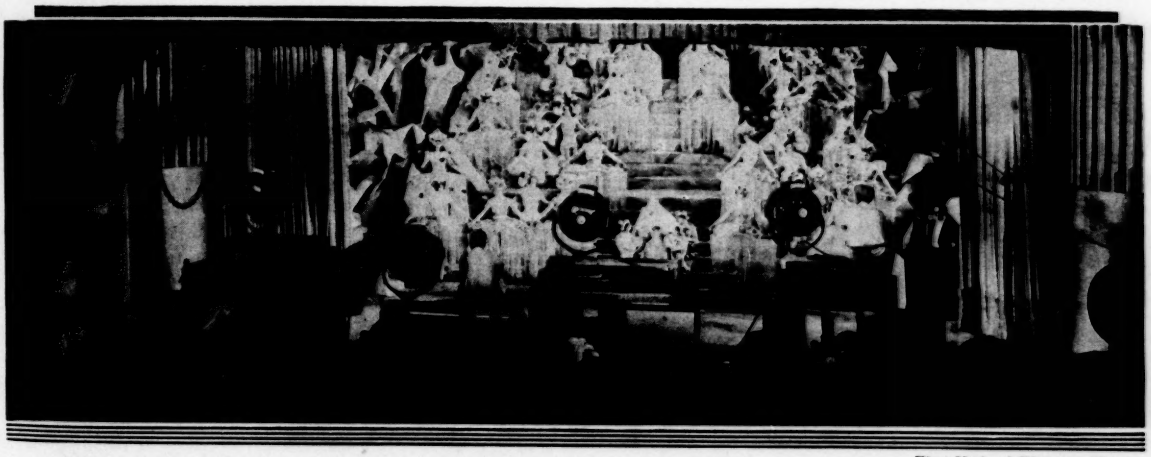
What has happened in the export field since silence became less golden than sound in the silver screen industry?

When the picture was silent all a producer had to do to market his film abroad was to translate his captions into the language of the country of destination; except for that, his production job was finished when he had completed his footage to the satisfaction of the home audience. Today, he must solve the complicated problem of supplying the demand for sound films in English, marketable here and in Great Britain, and making his supply acceptable to the rest of the Tower of Babel. The export profit is still there but the eyes no longer have it. The ears must be satisfied if the American motion picture industry is to hold the foreign trade that pays for from 25% to 35% of its general production cost.

Producers are confident they will do it but they have, as yet, developed no method without flaws. A complete new production job for each language group served is not ordinarily to be thought of: ask the cost accountants why. Some producers have attacked the problem by distributing librettos in foreign languages whereby foreign audiences may follow English sound films—if they have the patience and can read in the dark.

More are turning to "voice-dubbing" as the way out. With this process, after a scene with dialogue in English has been shot, another sound record is made with actors speaking German, French or Spanish. The pictorial part remains unaltered. This method appears to be the best so far developed, but is still far from satisfactory. It must surmount many obstacles. The foreign language dialogue must consume exactly the time taken by the English dialogue. Moreover, the English dialogue must be spoken and arranged so that the performers' lips appear to be enunciating foreign phrases to foreigners and English phrases to Americans.

Universal Pictures Corporation has brought this method to a high degree of perfection. Eighty per cent of the talk in the German version of "Broadway," is perfectly synchronized, and reports from Berlin indicate that the substitution was very convincing. William Fox has been exporting silent versions of his films, with superimposed foreign captions. Fox has also produced several talking features in which snatches of foreign conversation are required by the action of the picture. Paramount will offer Spanish versions of its features within a few months, and at least one picture,



First National-Vitaphone Pictures

THE BIRTH OF A MUSICAL TALKIE

In time, this apparently aimless jumble of people and machines will evolve a super-super-special. Quiet reigns during the filming of a talking picture; even the cameras are enclosed in sound-proof cabinets

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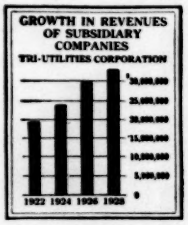

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the next by Maurice Chevalier, will contain a great deal of French. United Artists will distribute a German version of "Lummox." This company produced "Coquette" in Latin America, and distributed Spanish librettos.

Some companies, among them Metro-Goldwyn-Mayer, plan to produce foreign language pictures starring some of their foreign players. Ramon Novarro, for instance, will act in an all-Spanish picture and Greta Garbo has already been announced for a German one.

American film export trade has been hampered by the fact that Europe has lagged behind in sound installations. About 4,000 American houses are wired for talkies; Europe has no more than 1,000. In Latin-America there are fewer than 150. But the size and proximity of the South American market make producers believe Spanish will be their best medium after English. French ranks next, then German.

European film companies are making a few talkies, but in none of the countries is the industry to be compared with that in the United States. Excepting the British, foreign companies must invade world markets under the handicap of having much smaller natural audiences than we to fall back upon.

▼

Radio ► Can't Trifle with Fan Affections

PEPSODENT, first national advertiser to use the radio every day, took over the "Amos 'n Andy" broadcast in the fall; paid some $750,000 a year for the service. Of this amount "Amos 'n Andy," in private life Charles J. Correll and Freeman F. Cosden, are said to receive about one-fourth.

The company sought to change the "Amos 'n Andy" broadcast from ten to six o'clock central time, and did so for a short while. But immediately protests began to pour in. One hundred thousand letters, telegrams and telephone calls were received within a week; mid-western merchants complained that their trade was being ruined because customers had to hurry home to listen to the radio; employers protested that clerks and stenographers sneaked home early; dealers wired that they would no longer handle Pepsodent; citizens wrote and wired that they had thrown their tubes of Pepsodent into the sink; newspapers printed protest ballots. In the end, the fans won; since November 25 "Amos 'n Andy" have been on the air twice nightly, at 7 o'clock eastern time and 10:30 central time.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

DEPRESSION in Central Eastern Europe is accentuated this week but has not spread. Conditions that are expected to develop in the immediate future, pending The Hague conference, will effect little change in the existing situation. The steel cartel has formed a temporary six-months export sales organization which many expect will become permanent; some believe it will replace the present control plan of production. Both international rail and wire cartels perpetuate themselves and continue with prices unchanged for the next quarter.

By Special Cable to The Business Week

Great Britain—An almost invisible majority passed the Coal Bill. Dissatisfied parliamentarians call it an "endowment of inefficiency" because it fails to meet essential need for coordination of the industry's 3,000 separate mines now controlled by 1,500 separate owners.

By Special Cable to The Business Week

Germany—Because he is considered responsible for the present financial chaos resulting from the Government deficit, Hilferding, Socialist finance minister, is forced to resign. His successor, the Conservative Moldenauer, is expected to restore business confidence. However, the proposed and urgently needed reduction in business taxation apparently must be deferred; increases are even possible in order to realize 450,000,000 marks sinking fund recently voted by the Reichstag. Sharp increases in import tariffs are imminent. Governor Brandenburg has established State control over Berlin municipal finances following recent loan with its contingent increase in rates for practically all municipal services. The Young Plan plebiscite was 85% favorable.

By Special Cable to The Business Week

Hungary—Balkan grain exporters conference at Budapest has reached a tentative agreement to coordinate Hungarian-Roumanian-Yugoslav corn exports as a basis for negotiations between the respective governments.

U. S. Dept. of Commerce

Austria—Depressed industry and trade failed to respond to holiday activity, clearance of political skies, and brighter prospect of foreign loans. All lines of industry, except iron and steel, are slack, with one worker in six idle.

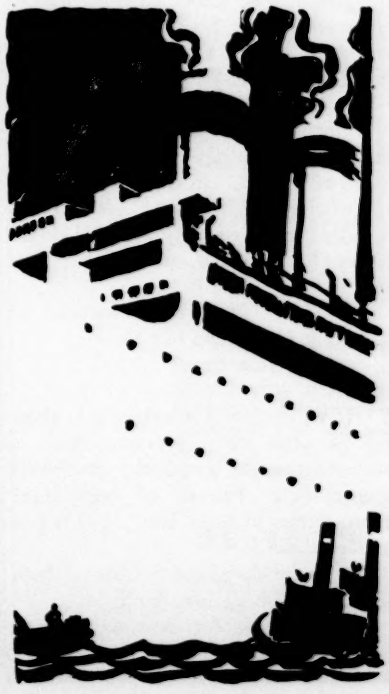
FAR EAST

U. S. Dept. of Commerce

Japan—Outlook is discouraging, although government will attempt to maintain stability after removal of gold embargo, January 11, by various measures calculated to assist industry, improve trade balance, lower commodity prices, reduce transportation charges. Silk market is weak despite suspension of reeling December 15. Over-production by cotton spinners makes curtailment inevitable.

U. S. Dept. of Commerce

China—Apprehension concerning further political turbulence has retarded improvement in trading conditions in North China. Disruption of transportation has been further aggravated by blizzards blockading railways and disrupting telegraph service, delaying coastwise shipping and freezing inland waterways. Adverse exchange, increased tariffs and mounting taxes are influencing North China commercial houses to stock goods at free port of Dairen for distribution when needed in Manchuria and in China proper. With economical warehousing facilities, freedom from tax complications, and assured stability, Dairen promises to develop into a distribution center comparable to Hong Kong. Import and export trade at Shanghai is below any level in recent years but during the first 11 months of 1929 exports to the United States totalled $51,000,000, an increase of $13,000,000 over the same period last year.



U. S. Dept. of Commerce

Australia—Unsatisfactory financial and trade outlook is causing increasing concern. London balances extremely low; federal and state governments accumulating important overdrafts there. Difficulties in transmitting funds dampen hope of improvement. Commonwealth loan of £10,000,000 closed with 20% left with underwriting banks. Banks are curtailing commercial credit and business mortality is increasing with no relief in sight, due to heavy stocks of merchandise, light demand, and tariff changes. Further tariff revision is expected but parliament has recessed until March 1. New law gives federal treasury power to take over and control gold exports on recommendation of Commonwealth Bank. Coal strike in new South Wales still unsettled. Riot followed attempt of state authorities to open one mine with volunteer labor.

LATIN AMERICA

Cuba—Business conditions are quiet and volume of sales continues below normal. Collections are slow and difficult, and credit is generally restricted. Auspicious opening of tourist season has spread optimism among Havana retailers. Advance transport bookings and hotel reservations are heavy.

U. S. Dept. of Commerce

Argentina—Some alleviation is afforded farmers in depressed southern agricultural regions by government loans. Dissatisfaction with the government has not ended. Labor unrest continues.

U. S. Dept. of Commerce

Chile—Report of Ministry of Finance showing favorable balance of 98,000,000 pesos reflects general prosperity. Sluggishness on the stock exchange is in contrast to great activity in industrial and commercial circles.

Peru—The weakness in values of cotton and sugar, principal crops of the country, has been a quieting influence on trade in general. No new public construction is being planned, but activity in oil and mining production and in transportation is normal.

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AFTER OFFICE HOURS

HURRYING through Penn Station, New York, this week in quest of one of Mrs. Savarin's best oyster stews, the sobbing tones of a great pipe organ broke in upon our preoccupation, slowed our steps, halted them.

We looked for the source of the music. (Plural we, not merely editorial. More precisely, two editorial we's.) At last we traced it. High up over the clock on the south wall—there, in the gloom, was a spot of soft light, haloing the head of the player at the console.

Beneath the grim exterior of the Pennsylvania, deep down where we thought there was only a stone (a keystone) there must be a big, soft, throbbing heart.

How many a country boy, bruised and lonely in the great city, will creep into the vast friendly shelter these winter nights to hear the hymns of childhood, and resolve to write to mother! How many a reckless couple, bound for a wild week-end in Atlantic City, may be turned from their ways by the same sad, sweet persuasion! How many ugly, destructive thoughts may be wooed to sweet reasonableness in the hour's wait to meet mother-in-law on a train announced to be five minutes late!

We do not know the repertoire. It must include the "Long, Long Trail," "All God's Chillun's Got Wings" in honor of T.A.T., "In the Sweet By and By" when trains are late, "Little Town of Bethlehem," courtesy to the Lehigh, "Casey Jones." And, of course, "Carmen."

It's a swell idea. We're inclined to cheer. The cheer goes like this—

"Attaboy, Atterbury!"

THE thirteen-month calendar is about like the metric system—there is much to be said for both; one thing against them. Friends of both think "there ought to be a law"; get red in the face about it.

Not to be forgotten is that at least there is no law against them.

Sears Roebuck, for example, goes on the thirteen-month basis January 1. Rather quietly many other large concerns use the same system. The Hearst enterprises rank among America's big businesses. Many, if not all of them, have been using the thirteen-month calendar for years with great satisfaction. They like having no months with five weekends or five pay days, no short Februarys.

MEANWHILE, the plumbing industry hails Mr. Hearst as its best friend, boasts that his new home in California will have seventy bathrooms—a different one for every Saturday night for almost a year and a half.

LEE PHILLIPS, president of Phillips—Petroleum Company, used to be a corn husker himself. Once upon a time he husked 110 bushels in eight hours. Now that he is the head of Phillips Petroleum Company, he probably isn't quite as good. But he is still interested in the sport and has offered a prize of $1,000 for the champion corn husker of 1930.

The prize offered used to be $100. Says Secretary Hart—"That was manifestly unfair. The champion corn husker needs as much skill, stamina and alertness as a champion pugilist—yet look at the difference in reward!"

Walter Olsen holds the title just now; he husked 25 bushels in eighty minutes. But speed is not everything. Fouls are called for ears left in the field and for husks left on the corn.

SPEAKING of research—as we do now and then—one pie foundry employs three chemists; one of them a specialist in shortening and crust, the others in filling.

Shades of our grandmothers!

RAYON is seeking new business in casket linings, burial couch covers, pillows and burial garments.

An Atlanta firm has 12,000 salesmen selling tombstones direct to users.

The live prospects aren't always the best.

Wide Reading

CAN BUSINESS BE CIVILIZED? Harold J. Laski. *Harpers*, January. Yes, by the permeation of professional standards.

HAS ADVERTISING BECOME TOO PROFESSIONAL? *Printers' Ink*, December 19. A group of three articles dealing with craft-conscious copy, institutional copy, and selling by ritual.

STATISTICS OF THE ELECTRICAL INDUSTRY. *Electrical World*, January 4. Annual statistical issue.

FARM RELIEF OR BANK RELIEF? Ernest Hopkins. *New Republic*, December 25. Some pertinent questions the farmers in California are asking the Farm Board; cooperatives from a new angle.

SHALL THE SALESMAN FLY? Morrow Krum. *Advertising and Selling*, December 11. Less than 10 cents a mile, more than 80 miles an hour, 19,900 miles—and still going. For sales managers contemplating flying for business.

FEMININE BUSINESS TECHNIQUE. Catherine Oglesby. *Plain Talk*, January. Various methods that women have learned to help them to success in business. Many business men will disagree with this article.

A MEDIEVAL HOLE-IN-ONE. Stephen Leacock. *Harpers*, January. Not business at all—just golf in 1215 in the style of Sir Walter Scott. Very funny.

MONOPOLY IN THE AIR. *Nation*, December 25. Declares private monopoly and public advantage fundamentally incompatible.

OUR MUDDLING WORLD. Salvador de Madariaga. *Forum*, January. A cosmopolite sees difficulties, almost insurmountable, in the way of a United States of Europe. Fresh thoughts to stimulate American thinking on problems of export and business in Europe.

CHAIN-STORE MOVEMENT GROWING IN ITALY. John M. Kennedy. *Commerce Reports*, December 16. Chains still on small scale but are surveying for expansion; cooperatives are strong.

REPORTS-SURVEYS

APPLIANCE INDEX 1930. *Electrical Merchandising*, McGraw-Hill, 75 pp. Third annual handy reference guide to household electrical appliances—arranged alphabetically—with manufacturer's address, specifications, prices, shipping weights. Complete index.

RIGHTS OF FOREIGN SHAREHOLDERS OF EUROPEAN CORPORATIONS. Department of Commerce, Trade Information Bulletin No. 659, 13 pp., 10 cents. Study of foreign shareholders in domestic corporations of various companies.

GERMANY. *The Journal of Commerce and Commercial* (New York), December 17. Special section devoted to German industrial review. Good summary articles; German advertising.

SHARING PROFITS WITH EMPLOYEES. Metropolitan Life Insurance Company, 29 pp. Summary of plans used by 72 companies over periods of as long as 43 years.

China's Silver Cloud Has a Dark Lining

MORE insatiable than their erstwhile taste for opium, as incurable as their legendary greed, is that other Chinese passion which has defied all generations of missionaries. For the parsimonious oriental is the most rapacious, the most insensate gambler on earth. He plunges in glee and with hilarity. Last week his sleek head struck the bottom of his dive. The great Chinese silver pool blew up with silver lowest since 1903.

It was on one of the hottest afternoons of last summer that the bullion world heard over the cables that a ring of wealthy Chinese speculators had suddenly gone short of fifty million ounces of metal on the three great exchanges of the world, Calcutta, Bombay, London. The gambling gentlemen in Hongkong and Shanghai thought they were just a little cleverer than ourselves. They knew India was badly off, could not buy. The demonetization of the rupee, her alleged gold standard, had wrecked her finances. China was on the edge of a promising external war after years of interesting and expensive internal brawl. Silver had to slump. The Chinese would profit.

Strangely enough they did not profit. They held on for a time and covered with practically no profit because, once over its momentary summer move, silver did nothing. The Chinese ring, restless, fascinated, changed sides. The bull side might do what the bear side had failed to realize. Right here the astute bullion gamblers of the East made a mistake about a man, about the prestige of a man. They paid no attention to the theoretical labors of one E. W. Kemmerer, professor at Princeton College. This gentleman had been quietly working with a commission, studying Chinese monetary reform. It leaked out that his report would recommend a gradual adoption of the gold standard. Horror of horrors, he would demonetize China's silver, he would do to China what the hated British commission had done to vast India. His recommendation might spell the end of the occupation of bullion speculator.

The transactions on the London bullion exchange were extraordinarily heavy, heavy enough to indicate that the famed Chinese ring was wiped out. Worse, the débâcle, said wise bullion men, might mean the beginning of that decline long anticipated for silver, from its ancient place as a money to that of a simple commodity for the arts and industries.

The economic repercussions of such changes cannot help being tremendous.

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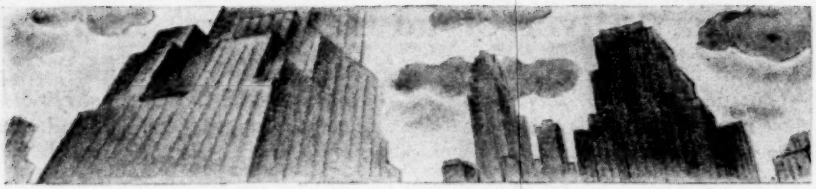

THE
BUSINESS WEEK
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EDITORIAL PAGE

The Thing To Do Right Now

● LEADERSHIP has two major functions. One is to inspire the will to act; the other is to direct action, give it aim, give it specific guidance.

When the Washington conferences to consider plans for combating business depression came to a close, it was plain that Hoover leadership had attained in large part the first objective. The conferences were a real inspiration—but what about results?

THE BUSINESS WEEK has pointed out that the success of the Hoover program depends upon its being translated into steel rivets, bricks and mortar, not merely by the giants of industry but more particularly by the scores of thousands of small businesses throughout the land. Above all, it depends upon the good old-fashioned remedy for business ills—work.

President Hoover had inspired the will to work; would the National Business Survey Conference, to which the President delegated the task of carrying on, fulfil the second function of leadership? Would it supply direction, specific, tangible, to the obvious eagerness of the American business community to be of help?

It has made an excellent beginning.

The first suggestion for action was that new construction be undertaken in so far as possible at this time. That is a most important step, but plainly it does not apply to every business establishment. There are thousands, perhaps even a majority of businesses, that have no need for new plant.

Now comes, however, a second suggestion just as concrete, almost as important in the aggregate sums involved, and much more nearly universal in application. The suggestion is that during the next two or three months, every business establishment in the country make all necessary repairs, do its clean-up work, make improvements and replacements, carry out re-equipment projects. Can there be a business anywhere that does not need something of this kind?

Here is work that can be done at once—done while big construction projects go through their long processes of planning, financing, letting of bids. It tides over critical months. It gives a measure of employment, enormous in the aggregate, that lasts until spring.

Nor does this lean too heavily upon altruism, sometimes a slender reed. Repairs, clean-up, modernization of equipment, are all of selfish benefit. They result almost always in ultimate economies and lower production costs.

The program applies not merely to industrial plants. It applies to mercantile establishments, to the farm, even to the home. It is a job for everyone, not forgetting the banker who should see the wisdom of financing work of this kind at a time when it is essential to maintain employment.

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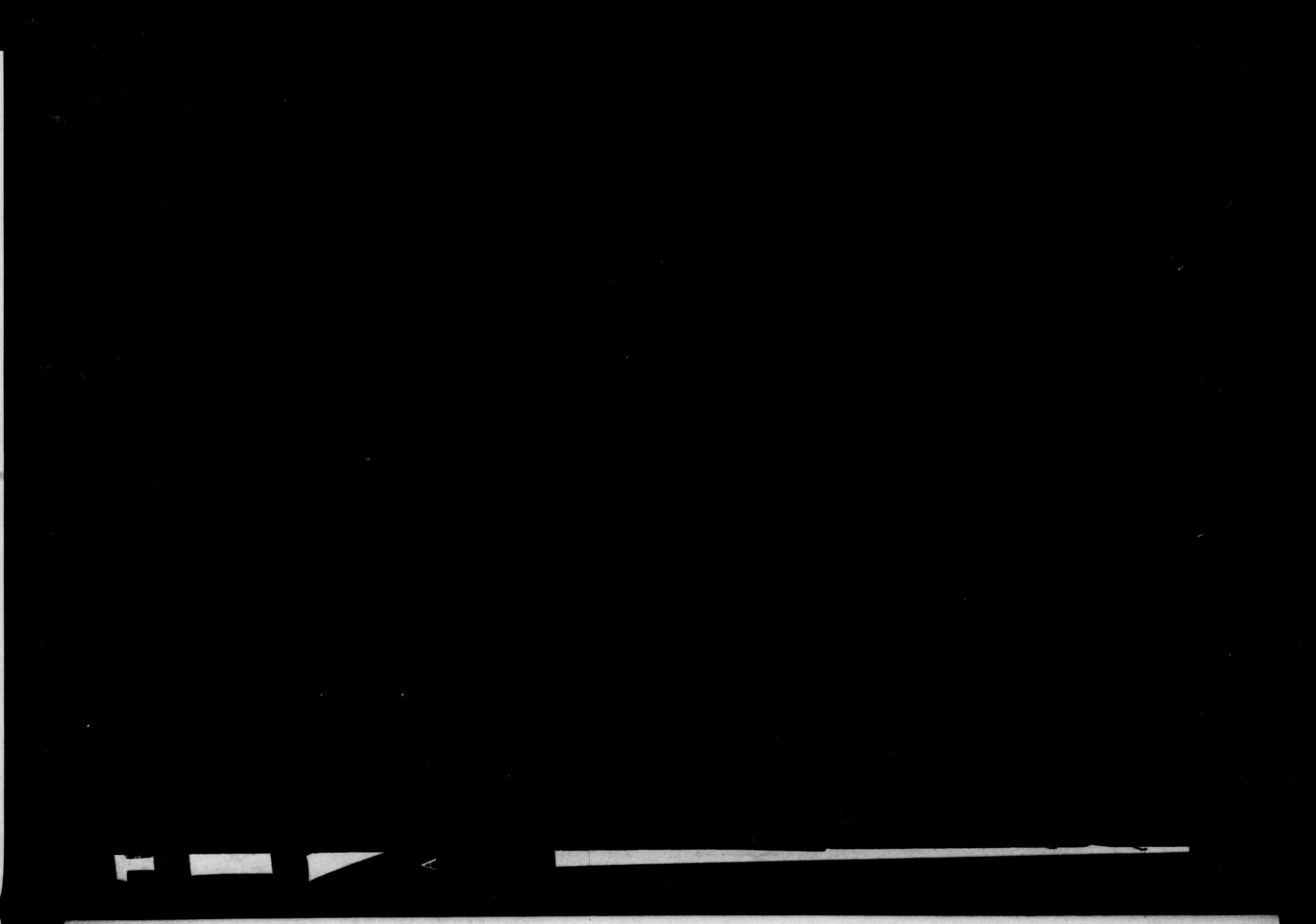
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